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Daily Report

Latin America

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FBIS-LAT-96-094 *14 May 1996*

CONTENTS

INTERNATIONAL AFFAIRS

International Affairs: Colombian To Chair NAM Summit *[Santa Fe de Bogota Radio]* 1

CARIBBEAN

Cuba

Cuba: Libyan Foreign Secretary Meets With Officials *[Havana Radio]* 2
Cuba: Chinese Deputy Foreign Minister Arrives for Visit *[Havana Radio]* 2
Cuba: Guatemalan Minister on Restoring Ties With Cuba *[PRENSA LATINA]* 2
Cuba: 2 Cooperation Agreements Signed With Kazakhstan *[Havana TV]* 3
Cuba: Castro Issues Instructions on Control Measures *[Havana Radio]* 3
Cuba: Castro Tours Facilities of Tourist Center in Holguin *[Havana TV]* 3
Cuba: Minagri Study Shows Agricultural Labor Force Deficit *[PRENSA LATINA]* 4
Cuba: Merchant Marine, Port, Fishing Workers Discuss Work *[Havana Radio]* 5
Cuba: BOHEMIA Magazine Celebrates 88th Anniversary 10 May *[Havana Radio]* 6
Cuba: JUVENTUD TECNICA Magazine Being Published Again *[Havana TV]* 6
Cuba: Roundup of Sugarcane Developments Through 12 May *[Havana TV, etc.]* 7

Dominican Republic

Dominican Republic: Defense Head, Police Chief Dismissed *[Madrid EFE]* 8

MEXICO

Mexico: Gurria Reviews Issue of Immigrants With Congress *[LA JORNADA 29 Apr]* 9
Mexico: EZLN Issues Communique on Judge's Ruling *[LA JORNADA 7 May]* 9
Mexico: Public Administration Modernization Plan Presented *[Mexico City Radio]* 12

CENTRAL AMERICA

El Salvador

El Salvador: Chinese To Explore Investment Opportunities *[EL DIARIO DE HOY 7 May]* 13

Guatemala

Guatemala: U.S. Nun's Torture Case, CIA 'Complicity' *[LA PRENSA 12 May]* 13

Panama

Panama: U.S. Envoy Cited on U.S. Interest in Keeping Bases *[LA PRENSA 13 May]* 14

SOUTH AMERICA

Argentina

Argentina: U.S. Wants 'Monopoly' Over Medicines Market *[LA PRENSA 9 May]* 16
Argentina: Menem Says Castro 'Hardening His Position' *[TELAM]* 16
Argentina: Relations With Peru 'Upset' by Arms Scandal *[NOTICIAS ARGENTINAS]* 16
Argentina: Army Denies Involvement in Arms Scandal *[CLARIN 3 May]* 17

Argentina: Menem Says Report on High Unemployment 'Absurd' *[NOTICIAS ARGENTINAS]* 17
Argentina: Menem Names Ruckauf as Presidential Candidate *[TELAM]* 18
Argentina: Economy Said To Grow by 5 Percent in 1996 *[NOTICIAS ARGENTINAS]* 18
Argentina: More Military Budget Cuts Considered *[LA PRENSA 22 Apr]* 19

Bolivia

Bolivia: Sanchez de Lozada in Stockholm on Working Visit *[La Paz Radio]* 20
Bolivia: Sweden Pledges Loan for Foreign Debt Reduction *[La Paz Radio]* 20

Brazil

Brazil: 'Split' Over Withdrawal of WTO Waiver Request *[O GLOBO 13 May]* 20
Brazil: Cardoso Announces National Human Rights Plan *[Rio de Janeiro TV]* 20
Brazil: Signs of Weakness in Executive Branch Seen *[O ESTADO DE SAO PAULO 8 May]* . 21
Brazil: Contradictions in Cardoso's Words, Acts Viewed *[O ESTADO DE SAO PAULO 7 May]* 22
Brazil: Federal Police Protest Military Role in Drug Fight *[O GLOBO 7 May]* 23
Brazil: October Elections Said To Panic PSDB *[FOLHA DE SAO PAULO 9 May]* 24
Brazil: Provisional Measure To Solve State Bank Debts *[Rio de Janeiro TV]* 24
Brazil: Editorial on Business Efforts To Speed Up Reforms *[GAZETA MERCANTIL 9 May]* . 25
Brazil: Status of ALX Aircraft Program Reviewed *[REVISTA FORCA AEREA No. 1]* 26

Chile

Chile: Uruguay-Brazil 'Conflict' May Affect Mercosur Entry *[EL MERCURIO 10 May]* 28
Chile: Fidel Castro's 'Great Desire' To Visit Noted *[LA TERCERA DE LA HORA 10 May]* ... 28
Chile: Belgium's Air Force Commander Starts Official Visit *[EL MERCURIO 10 May]* 29
Chile: Protection of Bi-Oceanic Waterways Rights Sought *[EL MERCURIO 8 May]* 29

Colombia

Colombia: Pardo Denies U.S. Intends To Violate Border *[Santa Fe de Bogota Radio]* 29
Colombia: Public Concerned Over Possible Border Incursions *[Santa Fe de Bogota Radio]* ... 30
Colombia: Congresswoman Comments on Acquittal in Case 8000 *[Santa Fe de Bogota Radio]* 30
Colombia: Justice Minister Medellin Interviewed *[Santa Fe de Bogota Radio]* 31
Colombia: Cartel Lawyers Reportedly Hold 'Summit' *[SEMANA 9 May]* 32

Paraguay

Paraguay: Delegation Abandons Mercosur Negotiations *[ABC COLOR 10 May]* 33
Paraguay: Wasmosy Meets With Army Officers *[NOTICIAS 10 May]* 34
Paraguay: Defense Minister: 'No Coupist Military Officers' *[ULTIMA HORA 9 May]* 34

Peru

Peru: Country's Deficit Analyzed *[PERU ECONOMICO Mar]* 35
Peru: Effect of Border Conflict on Investments Assessed *[PERU ECONOMICO Mar]* 36
Peru: Consensus Says Inflation Will Be 10-11 Percent *[PERU ECONOMICO Mar]* 37
Peru: Recession-Inflation Relationship Noted *[PERU ECONOMICO Mar]* 37
Peru: Antipoverty Policy Examined *[PERU ECONOMICO Mar]* 38
Peru: Country's Foreign Debt Discussed *[PERU ECONOMICO Mar]* 40
Peru: Fujimori's Political, Popular Standing Examined *[PERU ECONOMICO Mar]* 42
Peru: Theories of Investor Confidence Discussed *[PERU ECONOMICO Mar]* 43

Uruguay

Uruguay: Brazilian Barriers on Textile Imports Protested *[Madrid EFE]* 44

International Affairs: Colombian To Chair NAM Summit

PA1305192096 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1514 GMT 13 May 96

[Report by Daniel Castro Penaloza]

[FBIS Translated Text] As of tomorrow, Foreign Minister Rodrigo Pardo Garcia-Pena will be presiding the Nonaligned Movement's [NAM] mini-summit that will gather delegates from 38 countries.

The meeting, expected to last until Friday, will be taking place at the Cartagena de Indias Convention Center and the delegates will be assessing the likelihood of admitting new members to the international organization.

Delegates started to arrive early today to this city and in order to ensure their safety the authorities are currently implementing security measures at the airport, the tourist zone, and the central part of the city.

After having participated in the previous summit as observers, several countries such as Costa Rica, Japan, and Bosnia may now be eligible to be admitted to the NAM.

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Cuba

Cuba: Libyan Foreign Secretary Meets With Officials

PA1305143796 Havana Radio Havana Cuba in Spanish 1300 GMT 12 May 96

[From the "Morning Information Review" newscast]

[FBIS Translated Text] 'Umar Mustafa al-Muntasir, secretary of the General People's Committee for People's Bureau for External Liaison and International Cooperation, has said in Havana that his country's solidarity with Cuba and its people is unlimited and reiterated the Libyan Government's rejection of the Helms-Burton law, which intends to intensify the U.S. blockade of the Caribbean nation.

During a meeting with Cuban legislators, al-Muntasir said his visit to the island will contribute even more to bilateral relations. He showed interest in various products such as sugar, coffee, tobacco, and medicines.

The chief of Libyan diplomacy also met with the Cuban foreign, foreign investment and economic cooperation, and public health ministers, with whom he reviewed perspectives for trade between the two countries. Al-Muntasir will conclude his visit to Cuba on Sunday.

Cuba: Chinese Deputy Foreign Minister Arrives for Visit

PA1305143896 Havana Radio Havana Cuba in Spanish 0000 GMT 11 May 96

[From the "Evening Information Review" newscast]

[FBIS Translated Text] Chinese Deputy Foreign Minister (Jiang Qiechi) has arrived in Havana for a working visit in the last leg of his tour through the Caribbean, which included stopovers in Antigua, Barbados, and Trinidad and Tobago.

The Chinese visitor was received at the Jose Marti International Airport by the president of the Cuban-Chinese Friendship Association, (Xio Wong), and representatives of the Cuban foreign minister as well as by the Chinese Ambassador to Cuba, Liu Peigen.

During the three-day visit, the Chinese minister will meet with Cuban Foreign Ministry officials to exchange views about their bilateral relations and other problems of common interest.

Cuba: Guatemalan Minister on Restoring Ties With Cuba

PA1305223796 Havana PRENSA LATINA in Spanish 1939 GMT 10 May 96

[By Aissa G. Garcia]

[FBIS Translated Text] Managua, 10 May (PL) — Guatemalan Foreign Minister Eduardo Stein Barillas said today that his government is considering the possibility of opening an interests office in Cuba soon and of even fully restoring diplomatic ties with Cuba.

We must think, with absolute freedom and flexibility, about the needs of international relations and, within this framework, we are also considering the possibility of soon beginning, in some manner, ties with Cuba.

In an interview with PRENSA LATINA after the closing ceremony of the 18th Summit of Central American Presidents in Nicaragua yesterday, Stein explained that this position takes place within the framework of Guatemala's current efforts to overcome the isolation that resulted from its domestic conflicts.

The minister stated that there is a large group of Guatemalan businessmen who are interested in doing business with the island. These businessmen are asking the Guatemalan Government to soon open at least an interests office to protect their investments.

He also indicated that the government is reviewing a bilateral cooperation project. He recalled that recently a Cuban technical delegation, consisting of experts in such areas as sports, culture, biotechnology, and health, visited Guatemala under the coordination of the General Secretariat of Planning.

After noting his country's interest in Cuba's progress in biotechnology and other areas in which it could benefit from cooperation with Cuba, Stein said that we are exploring areas of possible exchange and cooperation.

In this regard, he recalled the significance of the visit by Cuban Foreign Minister Roberto Robaina to Guatemala early this year. Robaina attended President Alvaro Arzu's inauguration on behalf of Cuba.

Asked about Guatemala's stance regarding the tightening of the U.S. blockade on Cuba via the Helms-Burton law, the minister noted that his government cannot endorse this type of policy because it harms the population.

He added: We believe there are other ways to resolve political disagreements among governments that do not affect the living conditions of the population.

According to Stein, for several decades, the path of the blockades has proven to be ineffective in this particular case.

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Concerning the Helms-Burton law, promulgated by President William Clinton, he noted that Guatemala respects the sovereign decisions adopted by any state, but it disagrees with this U.S. measure, because it affects third countries and has extraterritorial consequences.

We have joined, he added, other Latin American countries in their rejection of the Helms-Burton law, and we are observing with interest the reactions of the EU, Mexico, and Canada.

He stressed that during the visit of the Central American presidents to Canada to meet with Prime Minister Jean Chretien, slated for 16 May, the Canadian Government will inform them about how it views this situation.

We learned unofficially, he mentioned, that Canada will denounce the Helms-Burton law through the dispute mechanism stipulated in NAFTA.

Cuba: 2 Cooperation Agreements Signed With Kazakhstan

PA1405041196 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 9 May 96

[From the "NTV" newscast]

[FBIS Translated Text] Cuba and the Republic of Kazakhstan signed two cooperation agreements in Havana on 8 May. The first was an economic and commercial agreement to link producers and enterprises and to facilitate exchanges in the industrial sector, in the energy and fuel sector in particular, and the public health and agriculture sectors. (Rabil Muratov), Kazakhstan's first deputy prime minister, and Jose Luis Rodriguez, Cuban economy and planning minister, signed the agreement.

(Manzur Hasanov), president of the Kazakhstan Science Academy, and Luis Garcia Peralta, provisional deputy minister of the Foreign Ministry, signed the second agreement, which calls for bilateral cooperation in the culture, education, science, and technology sectors.

Both agreements were signed at the end of (Rabil Muratov's) visit to Cuba.

Cuba: Castro Issues Instructions on Control Measures

PA1405045496 Havana Radio Rebelde Network in Spanish 1700 GMT 8 May 96

[From the "National Radio News" newscast]

[FBIS Translated Text] As is well known, for some time now control mechanisms have been implemented in territories and entities. These measures are being implemented by the party's Politburo and by the government. Given the results of this positive experience, Commander in Chief Fidel Castro has issued instructions on the regulation of the system of controls for the various levels of administration in the party and government.

According to the instructions, government and party control over territories will be exercised jointly, under the supervision of the Politburo. The supervision will be organized by the Central Committee in coordination with the Secretariat of the Council of Ministers and its executive committee. These type of control measures will be implemented every three years, and five provinces per year will be covered with the participation of party and state administration representatives.

The provinces will implement control measures over the municipalities every two years. Municipalities, in turn, will exercise them over the People's Councils every year.

Similar actions may be carried out in a partial manner on sectors of the economy at a provincial level. The instructions issued by the commander in chief state that to exercise control over the state's central administration, which will be done every five years, a commission will be created headed by the secretary of the executive committee of the Council of Ministers. The commission will be made up of ministers and other representatives of central government entities.

Cuba: Castro Tours Facilities of Tourist Center in Holguin

PA1405035396 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 9 May 96

[From the "NTV" newscast]

[FBIS Translated Text] On 7 May, Commander in Chief Fidel Castro toured some of the main facilities of the Guardalavaca Tourist Center, north of Holguin, during the second day of his visit to the province. Castro learned of the progress and plans for the development of this important tourist center that has approximately 1,600 rooms in modern, comfortable hotels built in a beautiful natural setting.

Guardalavaca Center, operated by the enterprises Cubanacan and Gaviota, has a high occupancy rate of 90 percent and is one of Holguin's main draws in the tourism sector. At the Cayo Naranjo center, located in the bay of Cayo Naranjo, Castro admired the beauty of this place along Holguin's coast, one of the area's most preferred locations by international travelers, and enjoyed several attractions offered to visitors:

[Begin recording] [First unidentified speaker] We are on the northern coast where the sugarcane harvest is not the only important issue. Tourism development is here also.

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You told me yesterday that Holguin is getting stronger in the tourism sector.

[Castro] Yes.

[First unidentified speaker] During this winter high season, for instance, the results are better than in all 1995. What do you think?

[Castro] I heard something about that, about an almost 90 percent occupancy rate.

[First unidentified speaker] And even higher. All rooms were occupied on four different occasions.

[Castro] Very good. We can say that Guardalabarca is one of the discoveries of the revolution.

[First unidentified speaker] Guardalavaca or Guardalabarca.

[Castro] Is it Guardalavaca or Guardalabarca?

[First unidentified speaker] Guardalavaca. The legend says that the first settlers....

[Castro, interrupting] [Words indistinct] be it Guardalavaca or Guardalabarca. We were almost born hearing about this place. We heard many years ago that the beach was very small and for some reason had saragasso weed, but people say now that the beach is very clean. Is that true?

[First unidentified speaker] Very clean.

[Castro] We also heard that other locations have been discovered and developed. I was told there that 1,500 rooms are already available.

[First unidentified speaker] Yes, and there will be approximately 1,500 more rooms before the turn of the century.

[Castro] Before the new century? Some 5,000 rooms [as heard]?

[First unidentified speaker] Yes.

[Castro] It is a pity that no more beach is available.

[First unidentified speaker] But there are plenty of beaches. We are still discovering more beaches.

[Castro] There are hills and mountains also.

[First unidentified speaker] Cuba must be seen....

[Castro, interrupting] Everything is here, the place where Colon first landed. The place is very attractive; if you fix it well, people will know.

[First unidentified speaker] If Colon were to land again, he will say that Cuba is even more beautiful now.

[Castro] I am not quite sure. We were just talking about that point. They were surprised by the many woods back then, whereas now one can see only sugarcane fields, but if they were to see these sugarcane fields with combines, particularly with the KTP-3 combines in them, they would say the place is more beautiful. [end recording]

Castro also visited the museum built in the original location of Chorro de Maita, located 7 km from Guardalavaca beach. The 56 tombs at the Chorro de Maita burial site, including the enigmatic remains of a Spaniard among them, give the visitor a rich outlook of the culture and development of Cuba's primitive settlers and, in particular, their funeral rites:

[Begin recording] [Second unidentified speaker] Two years earlier, around 1984, the remains of 17 people were found in this location; thus, the excavation units moved here and began their work. After digging through the first layer, they began finding the first human remains at approximately 32 cm below the surface; up to 108 were found.

[Castro] 108? Where? Here?

[Second unidentified speaker] Yes, the entire area at which the museum is located has been excavated.

[Castro] From what did they die?

[Second unidentified speaker] Natural causes, with 40 years being their approximate, average age.

[Castro] Were they Aruacos?

[Second unidentified speaker] Yes, they were Aruacos.

[Castro] From where did they come?

[Second unidentified speaker] North of Venezuela, but it is said that many different cultures came here, from the Bahamas, Florida, etc.

[Castro] I am happy to have been able to meet you.

[Second unidentified speaker] Thank you.

[Castro] I wish you good fortune.

[Second unidentified speaker] Allow me to give you a hug. [end recording]

Cuba: Minagri Study Shows Agricultural Labor Force Deficit

PA1305235496 Havana PRENSA LATINA in Spanish 2329 GMT 10 May 96

[By Jorge V. Jaime]

[FBIS Translated Text] Havana, 10 May (PL) -- "One must learn to wash one's hands with dirty water,"

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says an old peasant's proverb, which many Cuban city-dwellers do not currently approve of when it comes to working in agricultural activities on a permanent basis.

According to an investigation conducted by the Ministry of Agriculture (Minagri), revealed to PRENSA LATINA today, Cuba is experiencing a deficit in its permanent agricultural labor force of more than 102,000 workers, despite the incentives assigned by the state to this sector.

The source indicates that the active labor force in the agricultural sector throughout the island amounts to 1.25 million workers, but this figure does not include hundreds of thousands of workers hired on a temporary basis and members of the Youth Labor Army (recruits who fulfill their military service by doing agricultural work).

Francisco Torres, the Minagri's director of Human Resources, said that the truth is most Cubans are not too keen about agricultural work. Torres added that this type of work does not seem to attract the younger generations very much either; therefore, they do not choose related professions.

Torres explained that the 150 technical schools (intermediate level) of agricultural studies in Cuba have only filled 52 percent of their potential registration capacity.

Approximately 40,000 students are currently attending the so-called Agricultural Polytechnic Institutes (IPA). However, the national capacity of the IPA's amounts to 75,000 students, he pointed out.

Torres stressed that Cuba is and will continue to be an agricultural country; consequently, we should all assume the responsibility this reality entails.

Torres also complained about the poor system of professional advancement for university graduates, who — he said — are often promoted to higher positions with the same level of skill [as received].

Torres added that all these factors have considerably harmed the Cuban agricultural sector over the past years. However and despite the difficulties, which worsened after the collapse of the European socialist system that supplied the island with goods ranging from petroleum to the indispensable machinery for rural activities, these factors have not hindered this sector's growth.

Early this year, Cuban Agriculture Minister Alfredo Jordan revealed an increase in agricultural production of 29 million quintals (22 quintals equal a metric ton), with the exception of milk.

Cuba: Merchant Marine, Port, Fishing Workers Discuss Work

PA1305163396 Havana Radio Havana Cuba in Spanish 0000 GMT 5 May 96

[Report by German Ferraz; from the "Evening Information Review" newscast]

[FBIS Translated Text] The National Union of Cuban Merchant Marine, Port, and Fishing Workers of the Cuban National Maritime Union has held an important meeting to discuss the past three years' work.

During the meeting, the Cuban merchant marine and port workers objectively assessed the work performed and the sector's advances and deficiencies in these difficult years in the island. Nevertheless, they underlined the fact that they succeeded in protecting the country's merchant marine despite predictions that sentenced it to be destroyed.

Much of the progress is owed to the selfless work of the Cuban marine and port workers who, in many instances, and under difficult working conditions, completed stretches of as long as 20 months in the high seas to make the work of every ship profitable, and bring money to the merchant marine. Jose Luis Justo Villamil, secretary general of the union, commented on the union's work to make the sector economically efficient. He added that while keeping the country's present needs in mind, they would try to affect the workers as little as possible under the premise that no worker or technician should be left unprotected as the result of the labor force reductions, and that if necessary the workers should be relocated.

[Begin Villamil recording] We are trying to make a living, too. You know that many workers, including political workers, we later eliminated this expression, have been the victims of exploitation. A large number of well-trained workers were laid off in an attempt to make the operation more efficient. We have to say that because of this strategy less workers than expected at the beginning have been laid off. This strategy was carried out extensively. As our comrade said, the administration, the party, the UJC [Union of Young Communists], and the union are all represented here by these workers [words indistinct] so only the strictly needed number of workers will stay. Recently, in the Poseidon enterprise, led by Conte [words indistinct]. We said no. Instead, we explored the possibility of hiring those marine workers and others, based on a salary study that we conducted. [end recording]

In the union of marine and port workers, the labor force reduction is carried out only with the consent of and preliminary study with the workers and their

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representatives. If the union disagrees, it is not carried out. Regarding the salary incentives applied in the Cuban merchant marine and ports, which has yielded very good results, Villamil said this:

[Begin Villamil recording] We were the first to apply the incentives program. And we did it at a time when the country's position regarding this concept was still not very clear. We started with the Chinese ship that you know about and which brought 25,000 metric tons of rice. And it was done by distributing the first [words indistinct] later, we realized the need to [words indistinct] and the workers have to pay for their lunch. And, for every Cuban convertible peso, they have to make a return on a three-to-one rate. [end recording]

The incentives program for the sector's workers is closely associated with the strengthening process of the country's internal finances. Listen to Villamil's comments.

[Begin Villamil recording] [Words indistinct] as a function of the internal finances. We cannot wipe out all that we have progressed in favor of a hasty measure. Therefore, [words indistinct] what we have discussed in the congress [words indistinct] the process to reinforce the internal finances to the last. If we stop now, we will not be able to keep doing anything of what we have proposed. And what we are doing is working just fine [words indistinct] [end recording]

During the meeting, the workers expressed their determination to stay on their previous course so every ship and port facility can become profitable, thus contributing to the country's development, and to revert the present economic situation, which in fact has started to improve.

Cuba: BOHEMIA Magazine Celebrates 88th Anniversary 10 May

PA1305193896 Havana Radio Havana Cuba in Spanish 0000 GMT 5 May 96

[Report by Estrella Diaz; from the "Evening Information Review" newscast]

[FBIS Translated Text] BOHEMIA magazine, published in Havana, is Latin America's oldest. This prestigious publication will commemorate its 88th anniversary on 10 May. We will devote the next few minutes to discuss this magazine, 100,000 copies of which circulate every two weeks. Pedro Vinas, a member of the magazine's directorate committee, gives details.

[Begin Vinas recording] I would like to mention BOHEMIA's international edition, which is not another BOHEMIA, but a monthly edition that circulates in 16 countries, including the United States, Mexico, Puerto Rico, Panama, Colombia, Uruguay, Bolivia, and also in Europe, in countries like Germany, Switzerland, Italy, Belgium. The magazine does not present Cuba's reality coated with sugar and it does not carry special works. It is an exclusive selection of the best works on our national reality just like they are carried in the regular edition. Of course, the quality of this international edition is higher and includes other features to make it competitive. It is edited in Havana by an enterprise called Ponton Caribe. The market for the magazine has expanded. For instance, it has already found a place in Central America and Panama, from where it has spread to the area countries and has been well received. At present, our director Caridad Miranda is in Spain on a trip to promote the magazine in coordination with ICAP [Cuban Institute of Friendship with the Peoples]. BOHEMIA, Cuba's oldest, is being presented with HABANERA, Cuba's newest magazine, in a tour through Spain. [end recording]

BOHEMIA has many readers, both in Cuba and other countries. If you wish to subscribe, you should do the following.

[Begin Vinas recording] You can subscribe through the coupons included in the magazine or you can come to our installations. You can subscribe in any way you wish. The address is this: BOHEMIA Magazine, P.O. Box 6000, Independencia Ave., San Pedro, Havana. Your letter will reach us. We have received letters simply addressed to BOHEMIA Magazine. [end recording]

BOHEMIA has a very attractive library, which interested persons can use.

[Begin Vinas recording] This is one of our country's most complete libraries. It is constantly used by organizations, institutions, and researchers, both to look for reference materials on specific fields and periods of time and pictures, of which we have more than 1,000,000 from 1908 to date. There is hardly an event in Cuba for which it is not possible to find a reference or photograph to illustrate research works. Of course, you have to pay for this service, but any interested person can come here and request photocopy and documentary services in our library. [end recording]

Cuba: JUVENTUD TECNICA Magazine Being Published Again

PA1405024396 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 10 May 96

[From the "NTV" newscast]

[FBIS Translated Text] JUVENTUD TECNICA magazine is on the streets again, much to the delight of the people nationwide who thought of it as something essential.

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The magazine's main goal is to cover the country's scientific and technical interests. JUVENTUD TECNICA was created in 1965, and its number 274 issue has now been published.

[Begin unidentified worker recording] Currently 20,000 magazines are being printed, and the magazine will appear four times a year during 1996.

It is also important to stress that the magazine will soon have a scientific and technical advisory board, made up of renowned scientists, and presided over by Dr. Rosa Helena Simeon. The board will counsel, provide support and ideas, and review the articles to be published, in order to maintain the magazine's scientific rigor. [end recording]

Cuba: Roundup of Sugarcane Developments Through 12 May

PA1405013496

[FBIS Report] The following is a compilation of reports on sugarcane and sugar industry developments in Cuba monitored through 12 May.

The Jose Maceo Sugar Mill in Boqueron, Guantanamo, was the first to achieve its export goal. Approximately 77,000 metric tons of sugarcane have been shipped. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 3 May 96)

The Cristino Naranjo Agro-Industrial complex in Cacocum is the first to achieve its goal in Holguin Province, making Cacocum the leading producer of sugarcane in the country. Cristino Naranjo has spent 223 pesos in producing each metric ton of sugarcane, yielding revenues of more than 1 million pesos. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 3 May 96)

The National Institute for Sugarcane Research (INICA) was founded in 1964. At present, 51 specialists, 200 researchers, and 78 other professionals work at the INICA. (Havana Radio Havana Cuba in Spanish 0000 GMT 4 May 96)

Villa Clara has become the fourth province to achieve its sugarcane production goal of 505,440 metric tons. Cuba has produced 4.1 million metric tons of sugarcane in the present harvest so far. (Havana Radio Havana Cuba in Spanish 0000 GMT 6 May 96)

Granma Province has achieved its sugarcane production goal, 300,262 metric tons. Granma registered an 11.5 percent growth in 1977-1978. In 1996, it registered a 33 percent growth, with 73,000 metric tons more than the previous year. (Havana Radio Rebelde Network in Spanish 1155 GMT 6 May 96)

Eight sugar mills in Santiago de Cuba have concluded production, yielding 35,000 additional metric tons of sugar than in 1995. Officials have spotlighted the work carried out with combines and by 10,000 machete cutters. Efficiency grew by 1 percent and recovery by 2 percent. The province's production increased by 12 percent, and expenses for each metric ton produced were reduced to 40 pesos. (Havana Radio Rebelde Network in Spanish 1700 GMT 7 May 96)

Eastern provinces of Las Tunas, Holguin, Camaguey, Ciego de Avila, Cienfuegos, Matanzas, Havana, and Pinar del Rio are making efforts to reach sugarcane harvest goals. There are 170,000 metric tons of sugar left to reach the national target of 4.5 million metric tons. In Holguin, for example, the grinding of 50 million arrobas of sugar are still pending, in Las Tunas 110 million arrobas, and approximately 20 million arrobas in Camaguey. (Havana Radio Rebelde Network in Spanish 1700 GMT 7 May 96)

President Fidel Castro's visit to Camaguey has spurred sugarcane workers to higher achievements. Their target is to achieve 460 metric tons of sugarcane. Approximately 28,000 metric tons are left to be cut. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 9 May 96)

The Primero de Enero Sugar Mill in Ciego de Avila has become the third complex in the province to achieve its production goal of more than 63,000 metric tons of sugarcane. It hopes to process 2,000 metric tons more to cooperate with the country's goal. The province has planted more than 500 caballerias from January to April. This sugar mill is one of the most efficient in the country. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 9 May 96)

Guantanamo Province is the third to achieve its sugar target of 90,000 metric tons. The El Salvador sugar mill has produced additional metric tons. Provincial production has increased by 34 percent, promoting efficiency. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 9 May 96)

Eastern provinces and Villa Clara are helping Holguin with human and material support. Highly productive sugarcane cutters, operators of sugarcane combines, and tractors and trucks from the Julio Antonio Mella Sugarcane Mill are working in Holguin agro-industrial complexes. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 9 May 96)

Villa Clara Province has achieved a production of 103.5 million arrobas of sugarcane during the current harvest. Most workers are helping with the harvest at other provincial sugarcane mills. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 9 May 96)

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Dominican Republic

Dominican Republic: Defense Head, Police Chief Dismissed

PA1405015496 Madrid EFE in Spanish 0112 GMT 14 May 96

[FBIS Translated Text] Santo Domingo, 13 May (EFE) — Dominican President Joaquin Balaguer today dismissed the secretary of state of the Armed Forces (minister of defense) and the chiefs of the Army and National Police, 48 hours before Thursday's presidential elections.

Official sources at the Presidency told EFE that Balaguer, with a decree, appointed Major General Ivan Hernandez Oleaga, with the provisional rank of lieutenant general, as minister of defense, replacing Rear Admiral Ivan Vargas Cespedes.

The president also named General Hernan Disla Gonzalez as chief of the Army, replacing Maj. Gen. Ivan Hernandez Oleaga.

Balaguer incorporated Retired Maj. Gen. Enrique Perez y Perez, who retired more than 20 years ago, into the Army, appointing him chief of police. Perez y Perez will replace Antonio Segundo Imbert Tesson.

The elections of next 16 May were advanced two years after the signing of the Pact for Democracy between the opposition and the government of Balaguer to resolve the 1994 postelection crisis, amid reports of fraud against social democratic candidate Jose Francisco Pena Gomez.

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Mexico: Gurria Reviews Issue of Immigrants With Congress

PA1305133396 Mexico City LA JORNADA in Spanish 29 Apr 96 p 7

[Report by David Aponte; all quotation marks as published]

[FBIS Translated Text] Foreign Secretary Jose Angel Gurria has told federal deputies and senators that the incidents against and abuses of Mexican illegal aliens will not end with "reproaches" among Mexicans. Therefore, he asked the Congress of the Union to intervene "more actively" in its regular forums, such as the Mexican-U.S. interparliamentarian meeting to present the issue of migration and violations of human rights of our compatriots.

According to sources from the Foreign Relations Secretariat (SRE), during a recent meeting with legislators of the Foreign Relations Committees of the Chamber of Deputies and the Senate, Gurria requested the Congress' support to face the problem of violent incidents reported in U.S. territory.

In addition, Gurria asked federal deputies and senators to issue statements condemning the violations of human rights of Mexican immigrants, as the U.S. Congress does on other subjects. He also asked them to propose solutions to the migration problem.

Intensive Work by Mexican Consular Network in the United States

Gurria praised the support work conducted by the consular network in the United States and the policy to protect Mexicans implemented by our diplomatic representatives throughout the United States.

In that regard, he delivered a document explaining the measures adopted by consulates in defense of Mexicans. As an example, he noted that 40 consular offices in the United States expanded the cooperation network with nongovernmental organizations that defend the human rights of illegal immigrants.

"We have taken advantage of the consuls' capability to gather various interested groups within the Mexican community in order to carry out specific actions to defend the interests of Mexicans in their respective areas.

Those actions include confronting the anti-immigrant climate, in particular expressing opposition to the various bills proposed in state and federal congresses, as well as handling situations such as the incidents of 1 and 6 April in Riverside and Temecula, California.

"The Mexican position is that migratory problems can only be solved through bilateral actions. Therefore, we have intensified activities in that area, through the Border Liaison Mechanisms [Mecanismos de Enlace Fronterizo]. In addition, we have already resorted to the Mechanisms for Consultation on Functions of the Immigration and Naturalization Service and Consular Protection. [Mecanismos de Consulta sobre Funciones del Servicio de Inmigracion y Naturalizacion y Protecction Consular]

"The work carried out by the Border Liaision Mechanisms has been so successful that to resolve a number of very specific issues, the mechanisms have created technical subgroups, which make it possible to attend to specific problems such as transportation, police cooperation, and protection. That, in turn, has pevented those matters from contaminating the bilateral agenda."

Reproaches Among Ourselves Will Not Help Us Solve Problems

Asked what has been the SRE's position at meetings with legislators, sources from the secretariat recalled that Gurria has said that "reproaching ourselves" will not help us find solutions for the migratory problem and the incidents of violence against Mexican illegal aliens.

During a recent working session on the night of 9 April, which lasted more than five hours, Gurria requested congressional support and the presentation of proposals to face a structural problem of interest to all sectors of the Mexican society. "Work with me, I am the enemy," the diplomat said [sentence as published]

Gurria suggested that both chambers reinforce their position condemning the abuses against immigrants at the next Mexican-U.S. interparliamentary meeting, which will take place in Mexico on 3 and 4 May, the sources said.

Deputies and senators today will ask Secretary Gurria to assume a stronger position in defense of Mexican workers, as illegal aliens suffer abuses from U.S. police and immigrations authorities.

Mexico: EZLN Issues Communique on Judge's Ruling

PA1405012796 Mexico City LA JORNADA in Spanish 7 May 96 p 5

[Report by Elio Henriquez on a communique issued by Mexico's Zapatist National Liberation Army "from the mountains in southeastern Mexico" on 5 May]

[FBIS Translated Text] La Realidad, Chiapas, 6 May — The Zapatist National Liberation Army (EZLN) stated

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in a communique through Subcommander Marcos that the "unfair" ruling against Javier Elorriaga Berdegue and Sebastian Entzin Gomez has dealt "a definite blow" to the talks with the federal government.

Meanwhile, members of the Clandestine Indian Revolutionary Committee (CCRI) have stated in an interview with LA JORNADA in the Roberto Barrios ejido, in the village of Palenque, that Elorriaga was a "political prisoner," adding that he had "nothing to do with the EZLN." Commanders Pedro, Salvador, Andres, Isaias, and Maria have said that with this action, "the government was spurring us to a war with provocations and military mobilizations."

Subcommander Marcos stated in the 5 May communique that the EZLN views the ruling against the "alleged Zapatists" as a "clear-cut sign of war" from the federal government. Therefore, he said, CCRI and EZLN General Command leaders are holding a meeting to "evaluate the situation and to reconsider their participation" in the talks at San Andres Larrainzar scheduled to restart on 5 June.

In his post as EZLN military chief, Subcommander Marcos said he has already issued the "necessary orders to all Zapatist units to be ready and alert for the decision of our supreme command."

Marcos added that the government at all times has used the dialogue at San Andres Larrainzar "to win time and find the appropriate justification to resume a war."

Marcos said the "sign of war" is not only aimed at the EZLN but also at the Harmony and Peace Commission (Cocopa) and the group of advisers at San Andres Larrainzar, because the government has called them "terrorists."

CCRI members Pedro, Salvador, Andres, Isaias, and Maria, who have appeared before the public for the first time, were interviewed at the inauguration of the aguascalientes of the northern area, built in the Roberto Barrios ejido in Palenque by communities of seven regional municipalities. They have said that many of these communities were "ready" to flee to the mountains before Mexican Army troops wipe them out.

Commander Salvador has said they do not know Javier Elorriaga. "We only know he is another political prisoner like many others in the country."

—Elorriaga is not an EZLN leader?

—It has been said on various occasions that he does not belong here, but the government calls people who combat terrorists or drug traffickers; that is all. This has been repeated over and over.

—What is the present situation of the EZLN communities?

—The government is the one who makes people flee. We cannot remain idle if the Army arrives to repress the community. It is in red alert because it wants war. The communities are in alert because they prefer to flee to the mountains rather than be destroyed. Every community to be repressed will hide in the mountains.

—Are the communities on alert at present?

—They are to retreat if they see the Army coming violently. They cannot stay in the community waiting for the blow.

—Do you believe in possible confrontations with the federal Army?

—Provocations have always been present, Salvador has said, but at that point Pedro interrupted, adding: "The EZLN always has avoided confrontations; this has been our goal, because we believe that is not the way to move forward even though the government urges war with provocations and troop mobilizations so we may clash. We have avoided confrontations. [no closing quotation mark as published]

—Do you believe the government is preparing an offensive? Do you feel the conditions for that?

—We see that the government is getting ready everyday. That is the reason for the mobilizations, that is, to provoke, believing they could justify an offensive against the EZLN in this way.

Regarding the discussions on democracy and justice the EZLN is negotiating with federal authorities in San Andres Larrainzar, Salvador has said: "If the government continues to fall on deaf ears, people will have to make demands, because the government does not understand."

Pedro added: "The solution will not come from the government but, rather, from the people. We do not trust the government, because it will not give in. The hopes of the people are in the people themselves. It gets more organized and joined together every day. The government is unable to solve the problem, because there is so much poverty and injustice."

The complete text of the EZLN communique follows:

EZLN declaration regarding the unfair ruling against Jorge Javier Elorriaga Berdegue and Sebastian Entzin Gomez.

5 May 1996.

My voice is the voice of the EZLN:

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On 3 May 1996 through a radio transmission, we learned of Judge Juan Alcantara's ruling against Jorge Javier Elorriaga Berdegue and Sebastian Entzin Gomez declaring them guilty of conspiracy, rebellion, and terrorism. Juan Alcantara sentenced Jorge Javier Elorriaga Berdegue to 13 years in prison, fined him with 75 days of minimum wage, and suspended his political rights for four years. Sebastian Entzin Gomez was sentenced to six years in prison, fined with 40 days of minimum wage, and his political rights were suspended for two years.

The EZLN sees the sentencing of alleged Zapatists as a clear sign of war. Messrs. Jorge Javier Elorriaga Berdegue and Sebastian Entzin Gomez were accused of being Zapatists and sentenced for conspiracy, rebellion, and terrorism, meaning the Mexican Government believes we, the Zapatists, are terrorists, criminals who must be incarcerated and killed.

The dialogue between the EZLN and the Federal Government has received a definite blow with these arguments.

These sentences against these alleged Zapatists are intended as messages for many sectors.

The Harmony and Peace Commission is one of them. The ruling against Elorriaga and Entzin is a sentence against the peace efforts exerted by a group of legislators, most of whom have maintained a dignified and courageous attitude. They have spared no efforts whatsoever for a successful dialogue process; that is, to achieve peace with justice and dignity the Mexican people deserve. Juan Alcantara's ruling annuls all the peace efforts exerted by Cocopa and mocks the legislative branch.

The National Mediation Commission, always pledged to the dialogue and always attacked and harassed by the government, receives a confirmation of the authorities' contempt for the commission.

The Advisers Corps for Peace with Justice and Dignity is another one. Within the framework of the Poor People's Dialogue in San Andres Sacamch'en, the EZLN invited this corps to accompany it in the search for peace and to prevent a resumption of armed violence. With the ruling, Juan Alcantara sentences all Mexican men and women who work for the construction of peace in Mexico and categorizes them as terrorists. Illustrious Mexicans and organizations above suspicion today share the rating of terrorists given by the only terrorist in Mexico: The government.

The sentence against the alleged Zapatists is also intended to intimidate the media. Mr. Elorriaga, of the journalism profession, has seen his journalistic work used as evidence of his culpability and used to support his sentence. Journalism in Mexico is tantamount to terrorism nowadays.

National and international civilian society, that undefined, faceless, and anonymous force that continues to seek a transition to democracy by means of legal and civilian means, sees its efforts condemned, and its fears have confirmed that the peaceful road for change is still not available in Mexico.

Finally, the main recipient of that condemnation is the EZLN. By equating our just struggle for a decent standard of living with terrorism, the government is sending us a message and warning that means to us that there is no possible turning back to a civilian and peaceful way of life. The only future the government is offering us at the conclusion of the dialogue and negotiation process is prison and death. Since it first appeared publicly in January 1994, every dialogue and peaceful struggle the EZLN has embarked on and to which it has summoned the Mexican people over and over again has been repudiated together with the Zapatists.

We would like to tell you that we have received and understood the message. Our brother leaders of the Clandestine Indian Revolutionary Committee-General Command [CG] of the EZLN are meeting at this time to evaluate the situation and to reevaluate its participation in the San Andres Dialogue. As military head of the regular, unconventional, and EZLN commandos and in compliance with indications from the CCRI-CG of the EZLN, I have relayed relevant orders to all Zapatist units for them to prepare and wait for further instructions from our supreme command.

The San Andres Dialogue was manipulated on every occasion by the government in order to gain time and to find adequate circumstances to restart the war. What our Zapatist delegates have denounced time and time again is now being confirmed. At no time did the government discard the idea of a military solution to the conflict. The dialogue was only one more deception of the many our people continue to receive. The war comes once again from where it has always originated—the powerful.

We would like to express our gratitude to the media for the interest they have demonstrated during these two years of unsuccessful peace attempts. We also would like to request that they be the channel through which we can express our gratitude for the national and international support extended to us for a worthy peace and against the war. Thank you all for everything. We anticipate a decided effort from the Cocopa and the Conai [National Mediation Commission] to retake the path of a political solution the government has forsaken.

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From the mountains in southeastern Mexico

Insurgent Subcommander Marcos.

Mexico, May 1996

Mexico: Public Administration Modernization Plan Presented

PA1305160096 Mexico City Radio Red Network in Spanish 2300 GMT 6 May 96

[Report by Victor Manuel Suberza; from "The Night Monitor" newscast]

[FBIS Translated Text] President Ernesto Zedillo presented today the 1995-2000 program for the modernization of public administration. It is part of the programs being implemented for the six-year administration. It is called 1995 even though we are now in 1996.

During the event, Comptroller General Arsenio Farrell Cubillas said that the country's administrative deregulation and simplification, as well as the fight against corruption cannot wait. Farrell said in the presence of the president of the Republic that to properly meet society's demands, it is necessary to turn the country's federal public administration into an efficient organization with a deep-rooted culture of service.

Farrell said that to fight corruption and impunity, preventive actions will have to be taken without undermining the firm, agile, and effective adoption of corrective measures.

In the ceremony, in which the program for the modernization of public administration was presented, the president said it seeks to improve services provided to taxpayers as well as to prevent the concentration of work in public administration, to evaluate the work done by those in public administration, as well as to professionalize government employees. In this event, President Ernesto Zedillo said the population is demanding a more accessible, modern, and efficient public administration. This means, he said, moving more swiftly toward providing integrated services that can avoid paperwork, save time, expenditures, and that can eradicate corruption.

[Begin Zedillo recording] Citizens perceive the existence of excessive regulation as a tool that inhibits individual initiative and encourages abuse. They observe the lack of an appropriate system of accounting for one's responsibilities and the lack of minimum levels of quality in services provided to the public. As part of our state transformation process, our primary intention is to move toward state reform in order for public administration to be exercised with absolute transparency with impartial treatment for all social groups and for all citizens. [end recording]

Zedillo said that another priority in this deregulation strategy is to guarantee proper controls over public finances and the honesty with which they are being handled. He said that is why it is important to create an auditor's office for the federal government supervised by the Chamber of Deputies.

This happened at the Adolfo Lopez Mateos at Los Pinos Presidential Residence.

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El Salvador

El Salvador: Chinese To Explore Investment Opportunities

96CA0173A San Salvador EL DIARIO DE HOY in Spanish 7 May 96 p 1

[Report by economic and business reporter Ingrid Rodas — received via Internet]

[FBIS Translated Text] The Embassy of the Republic of China announced that the eighth mission of Chinese businessmen will arrive in the country on 8 May, and will remain here until the tenth of the same month. This group is part of the Investment Studies Mission to Central America, which has arranged seven visits by delegations from the Republic of China during the past few months.

The main objective of the missions is to explore the atmosphere for investments offered by the country, and to spot opportunities for the development of industries with Chinese capital. Embassy sources specified that the members of the new delegation are leaders representing different industrial and commercial sectors in that country.

Included among the branches of production to be represented in the mission are tourism, processed woods, textiles, knit goods, ready-made clothing, trimmed zippers, clothing accessories, corrugated paper, bookstore products, recycling processes, machinery for paper, and bicycles. Also present will be businessmen from the fields of pharmaceutical products, construction materials, wooden and iron doors, electronic engineering, electronic products, microphones, household electrical appliances, and others.

During their stay in the country, the Chinese investors will participate in the presentation and seminar — sponsored by the Salvadoran Foreign Ministry, the Salvadoran Foundation for Economic and Social Development [FUSADES], and the El Salvador Chamber of Commerce — which will take place on Thursday morning, 9 May. During the afternoon, the businessmen will hold meetings with their Salvadoran counterparts. The first meeting will take place at 1000 hours at the Hotel El Salvador, and the next, at 1500 hours on the Chamber of Commerce premises.

The source remarked: "Both meetings will be left completely open, for the participation of interested Salvadoran businessmen. In this way, it is expected that more exchanges will be achieved between the private sectors of both countries."

Guatemala

Guatemala: U.S. Nun's Torture Case, CIA 'Complicity'

PA1205195396 Panama City LA PRENSA in Spanish 12 May 96 p 47

[Article by Betty Brannan Jaen, attorney and LA PRENSA correspondent: "When Silence Becomes a Torture"]

[FBIS Translated Text] Washington, D.C. — On 31 March, Dianna Ortiz, a U.S. Ursuline nun, began a hunger strike across from the White House to protest the CIA's apparent complicity in human rights violations committed by the Guatemalan military regime. After 35 days on bread and water, sitting across the White House, day and night, under the sun and rain, Dianna Ortiz suspended her strike on Monday and changed strategies in her struggle to force the U.S. Government to disclose the secrets of its activities in Guatemala.

Ortiz has filed a lawsuit against the U.S. Government to force it to "declassify" all official documents on U.S. relations with Guatemala between 1984 and 1995. The State Department has already sent Congress approximately 20,000 documents on Guatemala, but according to Ortiz, the U.S. Government is withholding the documents that disclose the truth on the CIA's activities in Guatemala and the dreadful experience that Ortiz herself endured in Guatemala in 1989.

In November 1989, Ortiz, who is originally from New Mexico, was working as a nun in Guatemala in a literacy campaign for peasants when she was arrested by Guatemalan soldiers who apparently mistook her for a URNG (Guatemalan National Revolutionary Unity) guerrilla. According to Sister Ortiz's accusations, the soldiers raped her, threw her in a cell with rats, and tortured her with lit cigarettes, among other things, leaving 111 cigarette burns on her body.

The soldiers who tortured her called "chief" a man named "Alejandro," who spoke perfect English, but who spoke poor Spanish and with an unmistakable American accent. According to Ortiz, when "Alejandro" realized the soldiers had made a mistake by confusing her with a guerrilla, he stopped the torture, helped her get dressed, apologized to her, and told her that he would take her to the U.S. Embassy immediately. Afraid that he was in fact going to kill her to cover up the slip that had been made, Ortiz ran away when "Alejandro's" jeep was momentarily stopped in traffic. Eventually, she was able to flee Guatemala with the assistance of the Catholic Church.

Since then, Ortiz has maintained the theory that "Alejandro" must have been an undercover U.S. agent and has

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insisted that the U.S. Government disclose whatever it knows on her case. Until some time ago, the U.S. Government had kept complete silence regarding this case, but Ortiz's hunger strike across from the White House helped her get a meeting with Hillary Rodham Clinton, who promised to assist her in getting the documents sent to Congress. In addition, hundreds of people deliberately got themselves arrested on the sidewalk of the White House as a show of support for Ortiz.

Jennifer Harbury was among the people who got arrested to show her support for Ortiz. Last year, Harbury also went on a hunger strike across from the White House to force the U.S. Government to reveal what it knew on the whereabouts of her husband, a Guatemalan guerrilla named Efrain Bamaca. Harbury's case received ample coverage in all the U.S. news programs when influential Congressman Robert Torricelli, shocked by Harbury's hunger strike, revealed that for over two years, the CIA had known that Bamaca had died after being tortured on the orders of one of its agents (a crime that took place during Jorge Serrano Elias's administration, who was granted asylum and currently lives in Panama) and that the CIA had deliberately kept this information from Harbury.

Even worse, Torricelli also mentioned that this alleged CIA agent/assassin —a Guatemalan colonel named Julio Alpirez — was also implicated in the murder of U.S. national Michael Devine, who owned an inn in Guatemala. Torricelli said that the CIA had kept Alpirez on its payroll (paying him approximately $40,000) even after learning about his involvement in these two murders. In a letter addressed to President Clinton last year, Torricelli noted that the CIA's direct complicity in these murders confirms that this agency is "out of control" and there are "criminals" among its employees. In interviews granted last year, Torricelli explained that "the United States must not be a passive observer of the murder of its nationals. If the United States had information on the assassin's identity, it should have disclosed it so that the said person could be brought to justice." In other words, the CIA should not guarantee impunity for assassins, particularly, when the victims are U.S. nationals, because the opposite would mean that the CIA, as a U.S. agency, is in the business of sponsoring the assassination of its own citizens.

Exactly the same rule should apply in the case of Sr. Ortiz: The United States cannot nor should it be a passive observer of the torture and rape of one of its nationals. If the United States Government knows the guy called "Alejandro," the chief of Ortiz's torturers, it is its duty to disclose his identity and have him brought to justice so as to break the cycle of impunity that has prevailed in Guatemala for such a long time. If this impunity was somewhat promoted by the CIA, this fact will have to be revealed.

This week, Nicholas Burns, spokesman for the U.S. Department of State, insisted that the 20,000 documents that had just been sent to Congress constitute 100 percent of the information that the U.S. Government has on the 1980's in Guatemala and that "there is nothing" in these documents that indicates that a U.S. official witnessed or authorized Ortiz's torture.

Certainly, if one must choose between the credibility of Nicholas Burns and that of Dianna Ortiz, this would not be, I suppose, a very difficult decision. However, there is a sad possibility that the outcome of the Ortiz case will be similar to that of the Harbury case, that is, that the CIA's complicity in the crime will be corroborated. Equally sad is the fact that the situation in Guatemala is still the same as the one that prevailed under the regime of self-inflicted coupist Serrano Elias.

Panama

Panama: U.S. Envoy Cited on U.S. Interest in Keeping Bases

PA1305233196 Panama City LA PRENSA in Spanish 13 May 96 p A-4

[Report by Vilma E. Figueroa]

[FBIS Translated Text] Ricardo Alberto Arias, acting foreign minister and Panamanian ambassador to the United States, has said that during informal talks in the United States, interest has been expressed in reaching an agreement with the Panamanian Government to retain Howard Air Force Base, Rodman Naval Base, as a training center for drug control, Fort Sherman, and Galeta Island after the year 2000.

"It is not a forbidden issue. They have mentioned that they could be interested in reaching an agreement regarding Howard Air Force Base, so they may have access to a landing strip, Rodman, as a training center to control drugs in coastal areas, Fort Sherman, and Galeta Island, but there has been no formal proposal regarding this issue," Arias has said.

Arias believes that if it is to Panama's benefit to have airplanes on patrol to control drug trafficking, then "we would have to give them access to an airport, but we would not accept their permanence if it is not beneficial."

Arias said the possible permanence of the U.S. military in Panama after the year 2000 is being discussed internally more among Panamanians than with the United States.

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On a possible referendum to decide the issue, the acting foreign minister has said that President Ernesto Balladares has said that if an agreement is reached with the United States, the document would be submitted for a national referendum, and there will be no referendum to decide whether there will be an agreement.

The consultation in Panama will include the various political parties and other interested organizations. The next step will be talks between the political parties and the administration that should begin in the next few weeks.

Arias has said internal consultations are also taking place in the United States, because there are differences of opinions in the United States just as in Panama. "There are sectors in the Departments of State and Defense that are in favor and others against an agreement," Arias has said.

Panamanian Ambassador to Washington Ricardo Alberto Arias is in charge of the Foreign Ministry temporarily because Foreign Minister Gabriel Lewis Galindo has had health problems.

"The foreign minister had a lung infection that became more critical because he developed pneumonia. He will be back in a few weeks, depending on his recovery from pneumonia," Arias has said.

Arias has said that Lewis Galindo's recovery from his basic lung problem should take a few months but that he can return to work in the Foreign Ministry with certain limitations that his doctor will determine.

Fernando Eleta Casanova, who has worked as ministry adviser since 1994, is in charge of the Panamanian Embassy in the United States.

"I have discussed with him every issue the embassy handles," Arias has said, adding that Eleta Casanova is capable of appropriately handling all work done at that diplomatic office.

Arias also has referred to, among other points, trade with the United States, the control of drug trafficking, and money laundering, a very delicate and sensible issue, as priorities of the Panamanian Embassy.

Arias has said the control measures Panama has adopted against drug trafficking and to weaken money laundering have been useful to the country.

The transfer of the Panama Canal is another priority of the embassy in Washington; thus, a close relationship is maintained with the Canal Board of Directors.

Arias has rejected the possibility of changes in personnel working at the Foreign Ministry, adding that Foreign Minister Lewis Galindo will be advised in case of any changes.

Arias has said that foreign policies under Lewis Galindo will remain unchanged.

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Argentina

Argentina: U.S. Wants 'Monopoly' Over Medicines Market

PY1305174396 Buenos Aires LA PRENSA in Spanish 9 May 96 p 11

["Parliamentary Analysis" by Sergio Crivelli: "The Back Door"]

[FBIS Translated Excerpt] The U.S. Government is not satisfied with the Patents Bill that was assembled by the Argentine Congress and President Carlos Menem. Lawmakers heard about this when a letter which was sent by U.S. President Bill Clinton to his Argentine counterpart was made public last week. The U.S. chief of state threatened to rapidly apply trade sanctions on our country unless significant amendments are made to the recently enacted law.

What does Washington want? How does it intend to achieve its objective? To put it bluntly, the U.S. Government seeks to secure a monopoly over the medicines that U.S. pharmaceutical companies place on the Argentine market. It does not want Argentine pharmaceutical companies to manufacture or market them. The United States failed in its first attempt to achieve this goal, so now it is trying again by means of a new law, the so-called "Confidentiality" Bill. In other words, *as it could not get in through the front door, the United States is now intent on getting in through the back door.*

The bill to protect the confidentiality of procedures needed to manufacture medicines was submitted to Congress after PJ [Justicialist Party] lawmakers and the executive branch approved a Patents Bill which had been approved by Argentine pharmaceutical companies. The fact that the government took such an initiative is a clear gesture of "reparation" to the U.S. pharmaceutical and chemical industries.

Why? Because the Confidentiality Bill establishes conditions which experts believe would eliminate the "advantages" obtained by Argentine pharmaceutical companies during the discussion of the Patents Bill in Congress. The new bill *eliminates the transition period and mandatory patents.*

Under pressure again, congressmen do not seem to be willing to meekly bow to the wishes of the executive branch by enacting the bill in question in its present form. The congressmen will probably introduce amendments, even though they will undoubtedly vote it through by the end of the year so as to head off economic sanctions.

This notwithstanding, Congress will not pass this bill following a whirlwind debate. They will take their time since there will be public hearings with all sectors involved, as was the case with the Patents Bill. [passage omitted]

It was leaked that in a move to "counter the pressure" exerted by the executive branch, PJ lawmakers are drafting two bills related to this subject. One seeks to protect intellectual property rights of computer software and hardware, something which Washington has been demanding for a long time. This bill even further isolates U.S. pharmaceutical companies.

The other bill seeks to amend Article 42 of the Patents Act to make it conform to Brazilian legislation. It will propose that new medicinal drugs must be manufactured within a national territory in order to be protected by the relevant patents, which multinational pharmaceutical companies adamantly reject.

Argentina: Menem Says Castro 'Hardening His Position'

PY1305141896 Buenos Aires TELAM in Spanish 1300 GMT 13 May 96

[FBIS Translated Text] Buenos Aires, 13 May (NA) — Argentine President Carlos Menem on 13 May stated that Cuban leader Fidel Castro "is hardening his position." He added, however, that "we must wait because there is no other option."

Menem told a radio station: "During my tour I spoke with several Central American presidents and they all said that they keep asking Fidel for a democratic solution. There is no doubt that people keep urging freedom for Cuba."

Menem also said: "The new Spanish chief of state Jose Maria Aznar has obviously changed the course of politics in Spain, but this will have no effects whatsoever on relations with Argentina. We must seek to improve them further for the benefit of both countries."

Argentina: Relations With Peru 'Upset' by Arms Scandal

PY1305223396 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0108 GMT 11 May 96

[FBIS Translated Text] Washington, 10 May (AFP-NA) — On 10 May in Washington, Foreign Minister Guido Di Tella admitted that the scandal surrounding Argentina's alleged arms sales to Ecuador during the border conflict that pitted Ecuador against Peru in 1995 "has upset" Argentine-Peruvian relations. At the end of a 48-hour visit to Washington and before leaving for Panama, where he will join the delegation of President Carlos Menem who is currently visiting Panama, the Argentine foreign minister pointed out: "This incident

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has upset our relations with Peru. We have been forced to supply them with the information required."

Before explaining the operation that prompted the scandal involving Argentine arms originally consigned for Venezuela, but allegedly ended up in Ecuador and Croatia, the minister added: "This episode bothers us very much. We therefore want a thorough investigation." Di Tella explained: "The Argentine state approved arms exports to Venezuela, which was a lawful destination, but this was not the operation that ultimately materialized. This is the crime involved. Current Ecuadoran reports are even stronger than earlier reports had indicated."

Emphasizing that the Argentine Government "is politically committed to investigating" this case, the foreign minister pointed out: "Everything is under investigation." Before emphasizing that his government "does not protect any type of criminal," Di Tella indicated: "President Menem has publicly and privately noted that this investigatio vould be carefully pursued, no matter who falls and at all costs." Di Tella added: "Leave alone these criminals who have complicated our international image. Even if I am giving this explanation, people say the Argentine state surreptitiously sold arms to countries involved in a dispute."

Regarding the possibilities raised about the culprits of this crime, Di Tella admitted: "Obviously, some officials have — to a certain extent — been in collusion with other officials." This was the reason for "removing the (state-owned) Military Industries (enterprise) president and it was one of the reasons — not the key one — for making the decision of eliminating and shutting down the Military Industries," Di Tella said. Di Tella noted: "This is a major decision that has not had sufficient repercussions."

Argentina: Army Denies Involvement in Arms Scandal

PY1305222196 Buenos Aires CLARIN in Spanish 3 May 96 p 2

[FBIS Translated Text] The Army has issued a communique signed by Colonel Hugo Molinari again maintaining the distance from the scandal of the sale of Argentine weapons to Ecuador in the midst of this country's war against Peru. Molinari, military attache in Quito, on 2 May denied that he had offered to arrange a meeting between them and General Martin Balza or any other Army official, as executives of the Ecuadoran firm Prodefensa told CLARIN.

After holding a number of meetings with Prodefensa executives Roberto Sassen and Marco Jaramillo, Molinari sent a report to Buenos Aires. That was the report that Foreign Minister Guido Di Tella handed down to Judge Jorge Urso that ended the reactivation of the court case.

In the communique, which was distributed yesterday by the Army Joint Chief of Staff, Molinari makes clear that he participated in a meeting with Prodefensa representatives at the request of Ambassador Maria Esther Bondanza "despite the fact that the problem was not related to the Army. Molinari says that he reported what was discussed during the meetings, orally and in writing, to ambassador Fondanza and sent a copy, for administrative reasons, to her superiors in Buenos Aires.

Molinari finally says that the alleged meeting with Balza, that Sassen and Jaramillo claim he promised, is "a gross and wild lie."

Argentina: Menem Says Report on High Unemployment 'Absurd'

PY1405013696 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1721 GMT 12 May 96

[FBIS Translated Text] Buenos Aires, 12 May (NA) — President Carlos Menem has emphatically described as "a lie" an ECLA [Economic Commission for Latin America] report noting that Argentina has Latin America's second-highest unemployment rate. He also disapproved television images displaying Rosario shantytown dwellers cooking cats, describing them as an orchestrated "show."

Changing the subject, Menem confirmed that the Justicialist Party [PJ] would use the open internal elections method to nominate the PJ presidential candidate for 1999. He pointed out that there already are "many" hopeful nominees, including Buenos Aires Governor Eduardo Duhalde, former Tucuman Governor Ramon "Palito" Ortega, and Economy Minister Domingo Cavallo.

Regarding the ECLA report, establishing a 19-percent unemployment rate for Argentina, which is surpassed by Nicaragua alone, the president said he doesn't know "the source" of ECLA's "data." He emphasized that this report "is absurd." "It is a lie," he noted. Menem emphasized that, at this moment, Argentina's unemployment rate "is significantly lower than that prevailing in other Latin American countries." He pointed out: "Our unemployment rate currently totals 13 percent and Canada's unemployment rate totals 14 percent."

In remarks to the newspaper PAGINA 12, Menem described as "a real shame the events in that shantytown in Rosario." He agreed with Rosario Mayor Hermes Binner that the images, showing people cooking cats, had been fabricated by a television channel. The president underscored: "Even the shantytown dwellers themselves are

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angry. You may rest assured that the person responsible for this incident will have to face the consequences." Menem added: "This image was broadcast everywhere. These people believe they are harming the government, but they are actually harming our country," he said.

Changing the subject, the president added that Justicialism "is among the most democratic parties of the world, confirming that the nomination of the PJ presidential candidate for the 1999 elections would be achieved through open internal elections. Menem said: "This decision already has been made by the party. The method used for the federal capital will also be used for the entire country."

Regarding Cavallo, Menem confirmed he is "the best economy minister in Argentine history." Menem praised Cavallo's current low profile, as "it resembles that of a soccer referee. When a soccer referee is not mentioned too often, it is because he is doing a good job," Menem said.

Regarding the UCR [Radical Civic Union] alternative platform, Menem emphasized: "It is not different from that of 1983. Therefore, it is incumbent upon our people to decide if Argentines again want to experience the state of affairs experienced in Argentina in the 1980's, but I honestly do not believe they will want to go through that experience again."

Menem ultimately denied that the possibility of a UCR victory in the Buenos Aires mayoral elections would entail a recovery of that party with an eye to the 1999 elections. Menem said: "The UCR has to regain many points. Let's not forget that the federal capital is not equivalent to the entire country."

Argentina: Menem Names Ruckauf as Presidential Candidate

PY1305223196 Buenos Aires TELAM in Spanish 1315 GMT 13 May 96

[FBIS Translated Text] Buenos Aires, 13 may (TELAM) — President Carlos Menem reiterated today that the Justicialist Party [PJ] has a long list of possible candidates to succeed him in 1999 and included Vice President Carlos Ruckauf on that list. "(Eduardo) Duhalde or Ramon Ortega could be the candidate. Why not (Domingo) Cavallo? Why not Ruckauf? Why not any governor who might want to run for president in 1999?" Menem told Radio "9.90."

Asked about the possibility that his brother, Senator Eduardo Menem, might also become a candidate, Menem said: "I do not think he is contemplating the possibility of becoming president at this time."

Menem praised the pluralist attitude of the PJ when promoting open internal elections. He said he believed "no other party is as open as the PJ. I wonder whether any of the opposition mayoral candidates was elected in open internal elections," Menem ironically noted.

The president praised PJ mayor and mayoral candidate Jorge Dominguez because "he is doing things very well" and forecasted a victory of the ruling PJ in the 30 June elections because it seems unlikely that "Buenos Aires voters might want to change."

Argentina: Economy Said To Grow by 5 Percent in 1996

PY1405031196 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1858 GMT 10 May 96

[FBIS Translated Excerpt] Buenos Aires, 10 May (NA) — Addressing some 400 businessmen today, Economy Minister Domingo Cavallo forecast a GDP growth of 6 percent as of 1997 and announced that in by year 2010, "Argentina will be one of the developed countries." The head of the Economy Ministry made these remarks at the Alvear Palace Hotel this morning, during a meeting organized by reporter Mariano Grondona with representatives of industries, retail businesses, and financial institutions.

During his speech, Cavallo insisted on the fact that Argentina's GDP will grow by 5 percent in 1996 and estimated that "in subsequent years, the economy will grow at an annual rate of 6 percent." The minister asserted that "by 2010 — on the bicentennial anniversary of our Republic — Argentina will be one of the developed countries."

Having reported that the fiscal deficit amounts to 1.5 percent of Argentina's GDP, Cavallo claimed that this deficit "is not a problem for our country because the European agreement [not further specified] establishes that the deficit must be below 3 percent, something which is being met." In addition, Cavallo explained: "Convertibility is compatible with fiscal deficit" because "one can cover this deficit with indebtedness, which is not inflationary since now, it cannot be covered by issuing money."

The economy minister challenged several pieces of information that have been disseminated and denied that Argentina's external debt "had increased" and asserted that "we have been quite explicit about the actual estimation of the external debt."

In reply to questions posed by reporters and businessmen — including Argentine Industrial Union President Jorge Blanco Villegas — Cavallo said: "In the past, the external debt was covered by printing money, which

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gave rise to inflation, whereas now we resort to indebtedness, through loans that must be repaid. [passage omitted]

During Cavallo's three-hour lecture for the businessmen, the minister mentioned President Carlos Menem only once, but in highly favorable terms. Cavallo said: "This entire reformulation of the economy would not have been possible without Menem's great political support, Menem's efforts, and Menem's team."

Moving on in his lecture, Cavallo said "it will not be necessary to have a 100-man team," as his current team, for the year 2010 because "everything will run smoothly." At that moment, Cavallo made a humorous remark, emphasizing that he "necessarily" has to "trust" in his team. Alluding to the former National Bank officials who have been indicted by the courts, he said: "Sometimes, however, one trusts and you already have noticed how I fared."

Changing the subject, Cavallo indicated: "There are a huge number of notes that have to return to the financial system." He emphasized: "Current deposits total 18 percent, but should total 60 percent." Addressing an audience of 400 people, who carefully listened to him, the economy minister admitted: "We are still underdeveloped concerning this point."

Cavallo also answered questions on unemployment and education. In the opinion of some entrepreneurs, however, the minister did not display in his answers the same firmness with which he addressed economic issues. When he was questioned about the 110,000 unemployed people currently living in the outskirts of Rosario, Cavallo emphasized that he recommended "that land in some other province be delivered to these people for them to initiate productive activities to survive."

Argentina: More Military Budget Cuts Considered

96SM0286A Buenos Aires LA PRENSA in Spanish 22 Apr 96 p 7

[FBIS Translated Text] **Economy Ministry Considering Further Cuts in Military Budget**

The economic team intends to proceed with an additional tightening of the Armed Forces budget and wants to achieve in every way possible a restructuring of the Armed Forces that represents savings.

According to Minister Cavallo's advisers, the second state reform is based on two principles: overhauling the decentralized agencies and restructuring of the Armed Forces.

All of this is being worked out together with the Office of the Minister Coordinator, and was one of the most debated subjects during the spiritual retreat that the economic team conducted last week.

Specifically, officials of the Treasury Ministry want a reduction in Armed Forces administrative expenses, and that these savings be allocated to various social programs.

A member of the economic team described the objective. "For each branch of service there are several welfare organizations. Furthermore, there are a number of agencies in the Ministry of Defense that could be merged with other sectors," he said. One of the agencies mentioned is the Center for Special Studies that the Air Force maintains in Palermo. Another goal is for the Air Force to rid itself of the hotel it maintains in Vicente Lopez, which was described by Cavallo as the "mini Sheraton."

"The three service branches also have recreation centers and real estate properties that could be auctioned or sold. One thing is clear: in order to have a second state reform, it is necessary to reorganize the Armed Forces without fail," said another official.

This is all under study in the Office of the Minister Coordinator, although a decision has not yet been taken. The military budget this year is nearly 3.4 billion pesos, and what Cavallo's advisers object to most is the number of personnel and the expenses incurred by military pensions.

Some 120,000 persons work in the defense sector, including temporary workers, and spending for social services amounts to 1.18 billion pesos.

The Ministry of Economy has a special point of view regarding military pensions. "The state is also inconsistent on this subject. While retirees in general receive an average of 317 pesos, military retirees receive from 850 to 1,000 pesos," said the same official.

As a result, the argument most often heard is that "as there is no likelihood of conflict, the entire sector should be reorganized," although the Defense Ministry has already warned that it is prepared to resist this initiative by the Ministry of Economy.

The military chiefs have said repeatedly that the military sector has undergone cut after cut, and that it has reached its minimum operational capacity.

In September 1995, a further budget reduction of 117 million pesos was decided, of which 40 million came from the defense budget.

Something similar happened this year, when another budget reduction took place, which meant a decrease of 27 million pesos in the defense allocation.

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Defense Minister Oscar Camilion and the chiefs of the Armed Forces had specifically asked ex-Minister Coordinator Eduardo Bauza not to make additional cuts in the military budget.

With Bauza's resignation, this has remained an open question, although it is assumed that the military chiefs will lose no time in asking the new minister coordinator, Jorge Rodriguez, not to make further cuts.

Bolivia

Bolivia: Sanchez de Lozada in Stockholm on Working Visit

PY1305181196 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 13 May 96

[FBIS Translated Text] The Social Communications Ministry has announced that President Gonzalo Sanchez de Lozada has arrived in Stockholm, capital of the Kingdom of Sweden, on a working visit. The head of state will meet with King Carl XVI Gustaf and with the leading authorities in charge of Swedish cooperation with Bolivia.

Sanchez de Lozada called a news conference to explain the implementation of structural adjustments in Bolivia. He replied to questions about the Bolivian economy and the situation of the Bolivian people.

Foreign Minister Antonio Aranibar explained that the technical advice the Kingdom of Sweden will give to the Sanchez administration on the social security bill will include recommendations on political definitions and formulas to be applied in our country. This is how the foreign minister described the objective of the president's trip to Sweden, where he arrived accompanied by Aranibar on the morning of 12 May.

The foreign minister believes Sweden has vast experience — which is world acclaimed — on social security management systems. This led the Bolivian Government to ask the Swedish authorities for a draft of the social security bill that was put together by the Capitalization Ministry.

Bolivia: Sweden Pledges Loan for Foreign Debt Reduction

PY1405031596 La Paz Radio Cadena Nacional Network in Spanish 2300 GMT 13 May 96

[FBIS Translated Text] The Kingdom of Sweden has pledged to disburse 60 million crowns (about $10 million) for the reduction of the Bolivian foreign debt. The World Bank, the Inter-American Development Bank, and the IMF, among others, are Bolivia's creditors.

This was the first agreement achieved on 13 May in Stockholm, following negotiations headed by President Gonzalo Sanchez de Lozada, who will go to the Netherlands on 14 May with a similar goal.

This information was supplied by Foreign Minister Antonio Aranibar through a telephone conversation from Sweden that was coordinated by the Social Communications Ministry.

The aforementioned agreement establishes the absence of prerequisites for the creditors for which Bolivia will allocate these funds.

Brazil

Brazil: 'Split' Over Withdrawal of WTO Waiver Request

PY1405013796 Rio de Janeiro O GLOBO in Portuguese 13 May 96 p 22

[From Miriam Leitao's "Economic Outlook" Column: "Weathering the Storm..."]

[FBIS Translated Text] Brazil decided to gain time by withdrawing a request for a waiver [preceding word in English], which was submitted to the WTO on behalf of the agreement for the automobile sector. Brazil, which was aware that it would be defeated, knows that the subject is relevant for its major commercial partners.

Japan, for example, included the subject on the agenda of the conversations that President Fernando Henrique Cardoso will hold during his visit to Tokyo.

At the debates on the subject at the Foreign Trade Chamber this week, a decision was made to withdraw the waiver as a delaying tactic. Countries will have to "ask for consultations" with Brazil. If consultations fail, a panel should be installed. This legal action takes six months.

The government is split over the subject. It is not merely a conflict between two ministries. There are disagreements within ministries. Itamaraty, which chose to ask for a waiver, has been charged with adopting a wrong strategy.

Brazil: Cardoso Announces National Human Rights Plan

PY1305230396 Rio de Janeiro Rede Globo Television in Portuguese 1615 GMT 13 May 96

[FBIS Translated Text] President Fernando Henrique Cardoso today announced in Brasilia a National Plan of Human Rights. Through this plan, the administration will attempt to reduce injustices and racism. During the ceremony, President Cardoso paid the first government compensation to a relative of a political prisoner missing during the military regime.

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To guarantee the rights of the minorities. Such challenge has cost the administration eight months of work and 103 pages. The National Plan for Human Rights includes 168 proposals. Its principal points are: combat against racial discrimination; the creation of special police groups to control and prevent slave labor; the creation of a national council to follow up judicial branch decisions; that police members be tried by common justice rather than by military courts; that human rights violations by tried by federal courts; combat against illegal child labor; and restrictions on carrying weapons.

The plan does not change anything right away. The proposals must still be developed in detail, and most of them depend on constitutional amendments and draft bills that have to be approved by Congress.

As he announced the program, President Cardoso gave a 100,000-real check to Mrs. Ermelinda Bronca. It was the first payment the administration has made to a relative of a political prisoner who was either killed or is missing since the military regime. She is mother of Jose Humberto Bronca, a former PC do B [Communist Party of Brazil] member, and one of the guerrillas who fought in Araguaia.

Brazil: Signs of Weakness in Executive Branch Seen

96SM0294A Sao Paulo O ESTADO DE SAO PAULO in Portuguese 8 May 96

[Editorial: "Presidentialism Sui Generis" — received via Internet]

[FBIS Translated Text] The day before yesterday, the executive branch's base of political support in Congress defeated the opposition by only three votes. Three votes after the cabinet reshuffle that was carried out to strengthen support. Optimists will point to the fact that it was, after all, a Tuesday, the first day on which Congress had actually started working. In the votes that are really important and scheduled for "workdays," it is possible that the so-called streamroller will function and that the majority will show that it is in fact the majority. The serious thing is that that lack of enthusiasm about being the "majority" is merely the reflection in Congress of the disorientation now obvious in the executive branch. It is regrettable to say so, but necessary so that there will be no illusions.

What actually exists is, on the one hand, the open interplay of individual and collective vanities, if one can express it that way, and, on the other, a lack of will on the part of the president of the republic to impose his decisions with the authority inherent in his position and function (it is not necessary to be "dictator," as he denied being during his speech on social matters), and not only on his leaders and those subordinate to him. The presidential system has never been collegial any more than the parliamentary system has, although the latter does require greater coordination between the prime minister's decisions and the thinking of his advisers. Despite that, when it comes to formulating policy, the parliamentary system is also the product of a strong will on the part of the head of the government. But what we are seeing in Brasilia nowadays is that the administration is on the defensive. It is defending itself, as we have already emphasized, from landless people, and now from a few ranchers as well, who have spread that stupid story that the president expropriated ranches in Minas Gerais out of fear that his own property would be invaded. It is also defending itself—and none too well—from the criticism being directed at it by the advisers to the Solidary Community Program in a movement that seems to have more orchestration than it does a solid foundation. It is defending itself from its own party, which considers itself to have been put in a position inferior to the other parties because the latter have more cabinet posts! Vote, okay! But unwillingly, so as to leave the executive branch apprehensive.

It is the president of the republic's luck that the vanity game is so big and the attraction of power so much bigger that it is still possible for him to provide what is essential. The dissatisfied have no way to interfere in economic policy. In the other areas, sectioned off as they are when it comes to their implementation, no one bothers except when strong interests are at stake, and those issues are resolved in the sectoral chambers. There is also no way to affect anything concerning the powers of a government centered on one person—the bill restricting the use of provisional measures is going to be held up as long as possible in the Senate, thus enabling the executive branch to legislate on significant matters or those that are neither important nor urgent—or sometimes too important, as in the case of help for the financial system.

The real situation is that the executive branch is showing signs of asthenia. It is not proactive; it is reactive. It does not act; it reacts. Worst of all, since it reacts to situations (or could they be provocations?) whose rationality is not always perceptible or understandable, it reacts wrongly and, in so doing, creates new internal areas of dissension, proving that while presidentialism has not been transformed into a collegial system, it is at least beginning to be a system of indecisiveness. Take the most recent issue to cause a stir behind the scenes in politics: the coordination of social programs. Two ministers of state guaranteed that the Social Chamber would have a coordinator. In announcing that fact and giving the impression that care would be

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taken to concentrate scarce funds in order to channel them into objectives (of some kind or other), the ministers of state neglected to clarify the status of that coordinator of ministers, since he would be subordinate to a minister who theoretically presides over the said chamber. That simple announcement was all it took for the coalition parties to light funeral pyres for cremating that nonexistent gentleman—who will continue to burn for 10 days, the deadline set for choosing him! In addition, it is reported that more powers are going to be given to the minister of planning, who will reportedly be responsible for coordinating the coordinator. Also reported is the desire that the job be given to the minister of communications. Rebellion in the ranks! To quell it, the chief of the Civilian Household is talking about "romantic fiction" on the part of reporters, and the president of the republic is raising the ante by saying that the press is making a lot of fuss about nothing. Which means that since everything is romantic fiction, everything that went before is like the "quartel d'Abranches" [not further identified], and the Solidary Community will continue to be as important as it is now, seeing that it is practically untouchable.

Which also means that the above-mentioned weakness will continue until people realize that presidentialism is a system in which the president makes decisions and speaks as little as possible. The important thing is that the political situation giving rise to the "romantic fiction" of the reporters (their own fault, since they trust their sources) cannot last; it works against investments and presidential authority.

Brazil: Contradictions in Cardoso's Words, Acts Viewed

96SM0294C Sao Paulo O ESTADO DE SAO PAULO in Portuguese 7 May 96

[Editorial: "Words and Acts" — received via Internet]

[FBIS Translated Text] President Fernando Henrique Cardoso is said to be worried about what seems to be a cloud of pessimism hanging over his administration. Pessimism that the chief executive considers unjustified—although that does not alter the fact that he has started one more mission: that of instructing people regarded as "opinion makers." Last week he received a group of economists and a group of social and political scientists to explain to them his administration's priorities and its achievements in combating inflation. There is no denying the chief executive's concern over the criticism that has been expressed about what is considered his "lack of attention" to the social area. To a large extent, it was in order to respond to that criticism that the president established goals in the social area yesterday and also attempted to give that issue the same character as the Real Plan's fight against inflation.

If the president of the republic has detected the "cloud," the reason is certainly the fact that its shadow has disturbed the tranquillity of those thinking they could not be touched by a contingency of that kind. They considered themselves safe for the good and simple reason that public opinion polls commissioned by the executive branch showed that the level of approval for the administration's performance was still high. But more than the shadow that may have covered certain areas, the fact that a concern over the possible existence of areas of pessimism is discernible is the real indication that the cloud exists in circles which the Office of the Presidency considers critical to the building of the administration's image. What we wonder is whether it is in fact those circles that speed the creation of a more widespread climate of pessimism that is eventually reflected in criticisms and a change of image. In our opinion, the executive branch ought to be concerned with a number of attitudes which the administration as a whole—the executive branch and its base of support in Congress—has been adopting as the norm without noticing that those attitudes are affecting social groups whose reaction may be crucial to the administration's objectives because its consequences, although taking longer to become noticed, go deeper and wider.

What the administration needs to consider important to its policy are not such decisions as abandoning the Solidary Community Council. As we have said since it was started, that program suffers from so many mistakes in organization and execution that too much hope should not be placed in it. So that kind of decision—to make the "break"—does not strike us as indicating that the sky has turned cloudy, but what it may indicate is a posture aimed at inducing the chief of state to act contrary to his perception of what ought to be *his* policy.

The thing that strikes us as serious is that the president and his intimate circle have not realized that a (small but real) distance now exists between the administration's acts and its words. A good many of those words, being associated with the image of calmness and honesty that the president of the republic and his cabinet convey, are undoubtedly responsible for the results of the public opinion polls. But it is necessary to see that official discourse on some aspects of general policy is beginning to produce pessimism when those aspects are associated with actions. It is probably not necessary for us to expatiate on the slow progress through Congress of the laws regulating economic reforms. The delay in passing those laws, added to the position taken by a good share of the PFL [Liberal Front Party] (a firm base of support), which does not agree, for example, with the

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bill regulating communications because it considers it insufficiently open to market inflows but is prepared to support it so as not to appear opposed to the reforms, is leading the most attentive observers to take a step back in their enthusiastic support. In addition, when it is repeated that stability can only become real *when* the reforms are approved, a signal is being sent to investors that the situation is not yet ideal.

Then, when we look at actions, we see that the cloud exists: it is not being produced artificially by economists and social and political scientists. In its lead editorial yesterday, JORNAL DA TARDE drew attention to the contradiction between Fernando Henrique Cardoso's words about the land situation and agrarian reform on the one hand and, on the other, the president of the republic's actions following the massacre in Eldorado de Carajas. That contradiction between lucid evaluation of the social and economic facts and retreat in the face of pressures that are not legitimate because they are not part of the democratic game is what causes doubt. If it is not dissipated, doubt leads to disbelief. If solidified, disbelief leads to pessimism. For that reason, it may not be the economists and the social and political scientists (or those who consider themselves opinion makers) who should be getting the chief executive's attention, but the administration itself, first of all to ensure that there is no contradiction between words and acts and, second, to prevent discourse intended to gain support from eventually dispelling it.

Brazil: Federal Police Protest Military Role in Drug Fight

PY1405031396 Rio de Janeiro O GLOBO in Portuguese 7 May 96 p 8

[Report by Rodrigo Franca Taves]

[FBIS Translated Text] Brasilia — Pressured by the Federal Police and the civil and military police all over the country, Justice Minister Nelson Jobim will have to back down on his idea to amend the Constitution in order to give the Armed Forces the duty to fight drug trafficking. Since the participation of the military is central to the National Drug Enforcement Program (Panad), which is being designed by the government, Jobim wanted to withdraw the constitutional regulations dealing with public security organs, assigning drug enforcement action to the Union as a whole.

The Federal Police, currently exclusively in charge of drug enforcement action, have protested. Jobim will ask Deputy Moreira Franco (PMDB-RJ) [Brazilian Democratic Movement Party-Rio de Janeiro], rapporteur of the administrative reform, to withdraw from his proposal the changes that the government proposed to Article 144 of the Constitution.

Before learning about Jobim's new position, which the Justice Ministry press office announced on 6 May, Superintendent Vicente Chelotti — the Federal Police Director General — outlined the points on which he disagrees with the minister.

He said: "The great force of the Federal Police lies in its constitutional status. Without it, the Federal Police will be weakened. Why should constitutional regulations dealing with public security organs be eliminated in order to create the National Public Security System through a supplemental law?" Chelotti admitted that he disagrees with the minister.

Chelotti said that so far, not even the ordinary law regulating the 1988 Constitution has been used for improving the organization and operation of public security organs, "in order to guarantee their efficient operation," as the Constitution sets forth. The operation of the Federal Police, the Federal Highway Police, the Railway Police, the civil police, the military police, and the Fire Brigade — which according to Article 144 are responsible for public security — has not yet been regulated by law.

Jobim should resolve the problem upon returning from Mozambique on 12 May. Consequently, he will have no time to prevent a large federal policemen rally from happening on 8 May at the Cultural Hall of the Chamber of Deputies, where policemen will protest the proposal by Moreira Franco. For three days now, the Federal District Union of Federal Policemen (Sindipol-DF) has published commercials on Brasilia television stations, summoning its members to the rally.

Federal Policemen Do Not Want To Be Subordinated to Military Commanders "We are dissatisfied with the idea of operating under the command of the Armed Forces. The post of Federal Police director general was several times filled by a military officer, and this has always caused trouble. Just imagine if we had to obey orders from several military officers. We visited as many lawmakers as we could," said Sindipol-DF Vice President Amarilio Carneiro, recalling that the proposal by Moreira Franco also establishes that the Armed Forces will be empowered to summon the police for joint anticrime operations.

The National Drug Enforcement Program — designed by the Justice Ministry under direct orders from President Fernando Henrique Cardoso — provides for harmonious government action in order to improve and increase the efficiency of the National System for Preven-

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tion, Control, and Repression of Narcotics and Related Drugs. The program provides for joint action by the Ministries of Justice, Navy, Army, Aeronautics, Foreign Affairs, Finance, Health and Education, by the chief of the Armed Forces Staff, and by the Strategic Affairs Secretariat. Nongovernmental organizations, and federations and unions of employers and workers may also participate.

Panad includes a marijuana elimination program, a program for elimination of coca leaves, the use of helicopters and drug search dogs, the implementation of the maritime and river service, drug control at ports and airports, chemical production control, monitoring of suspicious financial operations (the so-called laundering of money), the infiltration of policemen in criminal organizations, the recruiting of informers, and cooperation with international police organizations. There is even a program for permanent search for the 10 most-wanted drug traffickers.

Benedito Leonel, chief of the Armed Forces Staff, said in Rio de Janeiro on 6 May that the military will not replace the Federal Police for drug enforcement action, or the Federal Revenue Secretariat for smuggling control. According to Leonel, the powers of the Federal Police and the Federal Revenue Secretariat will remain unchanged.

"The Armed Forces have always given logistics support to the Federal Police and the Federal Revenue Secretariat. The president has only asked to intensify this effort. Just that. We could go beyond that, but it is they who are in charge of taking legal action. The Armed Forces will not be charged with that." Leonel said.

Brazil: October Elections Said To Panic PSDB

96SM0294B Sao Paulo FOLHA DE SAO PAULO in Portuguese 9 May 96

[Article by Reinaldo Azevedo and Sonia Mossri: "Election Causes Panic in PSDB Bloc" — received via Internet]

[FBIS Translated Text] Brasilia—The October elections and competition for space in the pro-government ranks are causing panic in the PSDB [Brazilian Social Democracy Party]. At two meetings—in the afternoon and evening of the day before yesterday—two party panels reached the same conclusion: the PSDB bears the burden of being the government but not governing.

At the first meeting, the party bloc threatened rebellion, and the party leader in the Chamber of Deputies, Jose Anibal (PSDB, Sao Paulo), had to act as fireman. There were those who even suggested a note of protest against the way in which the party is being treated by FHC [Fernando Henrique Cardoso].

At the second meeting, which was by the Executive Committee, it was Anibal's turn to threaten to "have a conniption" to expand the PSDB's space in the administration. The party's leadership wants a meeting with the president for the purpose of trying to clear away the complaints against the administration.

The party is also complaining of the way in which the mini-cabinet reshuffle was carried out, especially the appointment of Deputy Luiz Carlos Santos (PMDB [Brazilian Democratic Movement Party], Sao Paulo) to the cabinet. The PSDB was not consulted.

The decision resulting in the provisional measure setting the minimum wage at 112 reals, or less than inflation (about 20 percent), ignored the bad humor in the PSDB.

But the thing that has really had an influence is the increasingly tense relationship with the party's chief ally, the PFL [Liberal Front Party]. Yesterday's regulations regarding cellular telephones triggered a real war between the two parties in the plenary session.

The PSDB feels that when FHC wants support on important matters from the other allies, he calls in the leaders or presidents of those parties for talks. In the PSDB's case, FHC feels that all he has to do is send a message through Minister Sergio Motta. But the PSDB's greatest fear has a definite source: the October elections. The party feels that the opposition is going to insist that the administration has no social program. The PSDB wants short-term measures that will benefit it.

Brazil: Provisional Measure To Solve State Bank Debts

PY1405000196 Rio de Janeiro Rede Globo Television in Portuguese 1030 GMT 13 May 96

[Commentary by Ana Paulo Padrao]

[FBIS Translated Text] The executive branch is about to pass a provisional measure to rescue state banks. The government, however, will impose some conditions.

The government is about to create a special PROER [Program to Encourage the Reorganization and Strengthening of the National Financial System] for state banks. It comprises a special financial line to solve the problems of state banks which have incurred in great losses by intervention of their state administrations.

The federal administration is studying several alternatives: to assume the state debts with the banks and refinance them; to assume the control of the banks; to finance the liquidation of the state banks; or to finance the

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financial streamlining of the state banks. The important issue is that in any of these cases the state administrations will have sign a promise to either privatize banks or liquidate their state banks. It will not be valid for a state to use the federal government's financial aid to streamline its state bank and then to still remain with the bank. What is more, the state administrations will have to use the privatization money to repay the financial aid debt.

However, some questions still remain unanswered. Will this new PROER be available for the Banespa [Sao Paulo State Bank]? If it does, will Sao Paulo Governor Mario Covas consent to its privatization? If he does not, will the rest of the governors accept a different kind of treatment?

This is why the provisional measure has yet not been passed. The administration wants to set up the whole political chessboard and make the right move. The measure must solve problems, not to create new ones. The Banespa issue is still a problem.

Brazil: Editorial on Business Efforts To Speed Up Reforms

PY1405031996 Sao Paulo GAZETA MERCANTIL in Portuguese 9 May 96 p A2

[Editorial: "Open Mobilization in Favor of Changes"]

[FBIS Translated Text] In a democratic society it is absolutely normal to see interest groups — be they comprised of workers, entrepreneurs, professionals, public employees, or any segment of society — present their suggestions or express their viewpoints to the administration and the National Congress in order to help these institutions make decisions. This process can be called lobbying [preceding word in English] but this does not necessarily mean that the process is illegal, as long as it is conducted in an absolutely open manner and without involving undue pressure, threats, or any type of bribing whatsoever.

It was in this entirely open manner that the National Confederation of Industry (CNI) sent on 8 May, through CNI President Senator Fernando Bezerra (Brazilian Democratic Movement Party-Rio Grande do Norte), the document "Brazil Cost-Agenda in the National Congress," to the Chamber of Deputies and Senate presidents. The document analyzes 125 projects currently being debated in Congress, which are related to entrepreneurial activities. Several of these proposals could lead to reducing the Brazil cost, while others — in the CNI's opinion — deserved to be modified, or are considered contrary to the interests of the entrepreneurs and of the country and should thus be rejected in view of the aforementioned reasons.

According to Luiz Alberto Cidade, coordinator of the CNI legislative affairs, all organized industrial segments "will participate in influencing the National Congress. The idea is to establish a network to participate in the drafting of laws and even a small entrepreneur from the countryside will be able to exert pressure on his or her deputy." Some 5,000 copies of the document prepared by the CNI will be printed and distributed nationwide in order to make known to the entrepreneurs the issues being debated.

It will not be surprising if this sort of mobilization is objected to in the National Congress or outside it. It may be said that the entrepreneurs are trying to command or take over legislative activities. This could be very harmful if we consider that, in accordance with an electoral law that is permanently being modified and contains a greater or smaller amount of restrictions, entrepreneurs contribute in cash or with materials to the electoral campaigns and have thus virtually "elected" several members of the two congressional houses.

Well, the vote of each congressman — given in accordance with their conscience's commands and their convictions — is what better configures the will of the people. Besides that, however, we do not believe that the democratic rules are being violated when entrepreneurs — like any other segment of society — express their plans in daylight and are willing to debate them in order to make things clear for the people.

This attitude is preferable to internal office conspiracies, to confabulations held along corridors, or to negotiations held in the quiet of the night for the approval of projects which, in sound conscience, cannot be classified as being of interest to entrepreneurs in general but as being of interest to some enterprises in particular. The CNI document is, naturally, a much healthier manifestation of the entrepreneurs' state of spirit than the blackout threats combined with strikes or even to an "entrepreneurs' march," similar to the one scheduled for 22 May, which we hope will not be staged now that the CNI has clearly delivered its message.

We must not forget either that the objective of the entrepreneurs who sponsored the document, and who represent federations of industries nationwide, is one of the most praiseworthy ones. Whether some like the expression or not, the Brazil Cost is not an invention. Enterprises can feel daily the weight of the distortions that have been accumulating throughout the years and which constitute obstacles that prevent national enterprises from competing the way they can and should in the international market. If a mobilization is necessary to eliminate this cost, let it be staged, as it is currently

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being staged, through free exposition of ideas and by convincing the parties.

There are several serious issues, which are vital for the country, listed in the CNI document and we plan to analyze them in more detail in the next few weeks. Just like the CNI, we are convinced that, without the approval of the main structural reforms currently being examined in Congress, we cannot preserve our economic stability or recover the development rhythm we have been yearning for.

Brazil: Status of ALX Aircraft Program Reviewed

96SM0278A Sao Paulo REVISTA FORCA AEREA in Portuguese No. 1, 1995 pp 16-19

[Article by Jackson Flores, Jr.: "ALX: New Warrior in the Skies"]

[FBIS Translated Text] Flying at 210 knots in the general direction of the rising sun, a Cessna 402 was approximately 90 minutes of flying time away from its destination after covering nearly 400 km from the airfield it had started from. Periodically monitoring the instrument panel in search of some sign of abnormality while they discussed the soccer game they had both watched the night before, the two pilots kept their attention focused on the outside of the plane. That scene, which occurs daily in Brazilian skies, would be quite routine were it not for a few details. Instead of maintaining a cruising altitude of 10,000 feet, the twin-engine plane was a little over 100 meters above the top of the dense forest. Contrary to rules, that Cessna Utiliner had begun its flight at a small landing field outside national territory, taken off without filing in a flight plan, entered Brazil without overflight authorization, and was now heading for an unknown dirt landing strip in the midst of Brazil's Amazon Region—a landing strip that had not even existed weeks earlier. Instead of three or four executives engaged in an animated discussion of the important points of a contract, the passenger cabin was occupied by small packages resembling bricks wrapped in laminated paper and containing a total of 550 kg of cocaine. The flight of that Cessna 402 would end in national territory, where its cargo would be unloaded, thus concluding a type of air operation whose frequency has increased frighteningly in recent years.

It is estimated that between 2,000 and 3,000 air operations are carried out illegally over Brazil's Amazon Region every day, and they can involve everything from the smuggling of consumer goods to the illegal transportation of ores and drugs. Besides those illegal activities, Brazil's borders are regularly violated by guerrilla groups such as Shining Path and the FARC [Revolutionary Armed Forces of Colombia], which, fleeing the troops in their own countries, seek sanctuary inside Brazil. The increasing frequency of such events over the past decade has led to various studies resulting in plans for Sipam (Amazon Region Protection System) and its sensor component, Sivam (Amazon Region Surveillance System). The latter will consist of a network of radars and other sensing methods for the purpose of collecting, processing, and analyzing the most diverse data on the various activities carried out in the Amazon Basin. Besides detecting the burning of forests, drawing attention to illegal prospecting sites, conducting precise surveys of natural resources, forecasting weather changes in the region, and carrying out many other tasks, Sivam will control air traffic by means of fixed and airborne radars—thus correcting a deficiency that has existed for a long time. Once the system is activated, a torrent of data relative to illegal air operations will reach the hands of Brazilian authorities and require the use of aircraft to deter or suppress those activities whenever and wherever they are detected.

At the start of the 1990's, the FAB [Brazilian Air Force] formulated an operational requirement in which it stated the need to acquire or develop an aircraft capable of carrying out reconnaissance missions, whether armed or not, and patrolling the border. The establishment and subsequent development of the Sivam Project, combined with other factors both local and external, caused that operational requirement to undergo minor adjustments leading to implementation of the ALX (Light Attack Aircraft] Program.

During the first few years of this decade, the FAB engaged in a number of actions using AT-26 Xavante, Northrop F-5E, Mirage IIIEBR, and Embraer T-27 Tucano aircraft against low-performance airplanes. It was discovered that using the aircraft traditionally employed in fighter missions against planes used in illicit activities is a rather difficult proposition. Airplanes of the Piper Navajo or Cessna 310 class are too agile a target because of the maneuverability that low performance gives them, making it a difficult task to fire or to get a fix in a missile's launch window—an obstacle that was not encountered when the T-27 Tucano was the interception platform. In confirmation of those conclusions, a neighboring country whose air force operates the Tucano on training missions decided to use it to intercept drug traffickers' airplanes. At first the usual procedures for carrying out a conventional interception were followed, but the reluctance of the targets to land at controlled airfields led to some of them being shot down with the 7.62mm machineguns carried by the Tucano in underwing pods. The first reaction by the opponents was to increase their pilots' salaries to $5,000 or $6,000 per flight, but the Tucano's constant success led the drug

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traffickers to make successive changes in their tactics. Illicit drug transportation activities by air came to take place exclusively at night, but that did not prevent use of the Tucanos, which had been originally designed to carry out navigation training missions under nighttime conditions—they were simply modified to carry FLIR (forward-looking infrared) equipment and NVG (night vision goggles). However, by adopting the tactic of simultaneously dispatching large numbers of aircraft from several landing fields, the drug traffickers succeeded in overloading the air defense and air traffic control system, which was in no way similar to Sivam.

All those factors helped define the characteristics of the aircraft that will meet the operational requirements called for in the ALX Program. Embraer's experience in developing the EMB-312 Tucano and its various versions, such as the Royal Air Force's Shorts 312 Tucano T Mk1, gave that company a solid foundation on which to build an aircraft based on the EMB-312H Super Tucano and capable of satisfying all the parameters established by the ALX Program. Feasibility studies in connection with that program began in 1993, and its development proceeded in parallel with that of the Super Tucano. But the requirements of the ALX Program have resulted in an aircraft that retains only the general external similarities found in the EMB-312 Tucano family.

Equipped with a Pratt & Whitney Canada PT6A-68 engine, which develops 1,600 shp compared to the 1,300 shp developed by the turboprop engine in the EMB-312H, the ALX aircraft was given a set of advanced navigation and attack systems that will enable it to carry out the various tasks that can be assigned to a light attack aircraft—and more besides. The navigation and attack system will include multifunction displays, a HUD (head-up display) sighting unit, a central mission computer, GPS (Global Positioning System), and an inertial guidance system as well as FLIR equipment and a cockpit that can carry and operate with NVG's. To ensure the safety of the ALX aircraft when it is operating in a hostile environment, the cockpit will be armored, and that same protection is being extended to some of its main systems. In addition, the ALX aircraft will be equipped with an RWR (radar warning receiver) and a chaff dispenser.

In addition to structural reinforcement of its airframe and wing, the ALX aircraft will have a pressurized cockpit with ejection seats of the zero/zero type and an internal oxygen-generating system. Embraer has made a considerable effort to eliminate dependence on such support equipment as the external source and oxygen supply system generally found in the operation of other aircraft such as the F-5E or the AT-26. So the ALX aircraft will be able to operate from unpaved runways with a minimum of support equipment.

However, that battery of advanced equipment will do no good if the aircraft is not suitably armed for its expected missions. Embraer took care to equip its aircraft with "claws" and "teeth," fitting it with four underwing hard points and another on the fuselage, thus providing it with an offensive payload of approximately 1,200 kg. In the case of air-to-surface tasks, for example, the aircraft will be able to carry up to five 227kg Mk82 LDGP bombs or four pods of unguided SBAT-70/19-type rockets. Other combinations for the same task include two pods for machineguns, which can be 7.62mm or 12.7mm, depending on the mission profile, in addition to other air-to-surface weapons available in the FAB's arsenal. For air-to-air missions, the aircraft can be configured for two 12.7mm machinegun pods or a 20mm cannon—the latter option being still in the planning stage—in addition to two MAA-1 Piranha air-to-air missiles.

On 18 August of this year [1995], the Ministry of Air and Embraer signed the development contract for the ALX Program, which calls for initially acquiring 100 aircraft in two versions: 50 single-seat ALX units and 50 two-seat ALX aircraft. Of that total, between 30 and 40 will be assigned to the Air Training Command, headquartered in Natal, where they will replace the current T-27 Tucanos, which are now being used by the 1st/5th GAv [Air Group]. In Natal, the ALX's will perform the same tasks as those currently being carried out, but in a substantially more efficient manner—in keeping with a worldwide trend identified by Embraer.

However, it is not in Natal that the ALX aircraft will engage in the greater part of what may be the most important missions in its future career with the FAB. The approximately 70 aircraft left over from the original order will become Sivam's armed wing and go to air units that will operate them in a region covering a little over 5.2 million square kilometers—an area equal in size to half of Europe. Those ALX's will be permanently integrated with Sivam's network of ground-based and airborne sensors, the latter being an AEW [airborne early warning] version of the Embraer EMB-320 Brasilia. Although the range of tasks assigned to the ALX aircraft will include such missions as border patrol, reconnaissance, and surveillance, their chief duties will be light attack and interception. That last-named mission generally evokes images of supersonic aircraft, but based on the characteristics and performance of the aircraft currently posing a threat in Brazil's Amazon Region, the ALX is the ideal interception platform for combating them. Capable of nighttime or daytime operation, the ALX's will be able to intercept, identify, and follow aircraft whose flight is of an unknown nature or ob-

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viously irregular. For that purpose they will take their orders from Sivam's regional surveillance centers or the system's General Coordination Center. In their light attack missions, the ALX's will be able to move quickly in situations like the one that occurred on the banks of the Traira River in February 1991, when guerrilla fighters from the FARC (Revolutionary Communist Armed Forces [as published]) attacked a Brazilian Army detachment. By providing almost immediate air cover for the various border detachments, the ALX will be an important asset in combating the illegal entry of undesirable elements.

The first production aircraft should be delivered to the FAB in 1998, but Embraer glimpses wider horizons for its aircraft. In fact, Embraer will put on the export market an aircraft capable of rivaling the Tucano's tremendous success. As was true with the EMB-312, the ALX Program offers the foreign market an innovative turboprop aircraft providing high performance combined with modern navigation and attack systems and capable of carrying out advanced training, firing and bombing training, and light attack missions at a favorable cost/benefit ratio.

Equipped for training and action in the Amazon Region, the ALX is a unique aircraft in the world and one which promises to repeat the success of its predecessors at Embraer.

Chile

Chile: Uruguay-Brazil 'Conflict' May Affect Mercosur Entry

PY1405013596 Santiago EL MERCURIO in Spanish 10 May 96 pp A1, A15

[Article by Juan Ignacio Brito M.]

[FBIS Translated Excerpt] The trade conflict between Uruguay and Brazil could affect Chilean entry into Mercosur [Common Market of the South], which will be established through the signing of an economic complementation agreement on 25 June in Buenos Aires following the negotiations held between national officials and the customs union.

Uruguayan Foreign Minister Alvaro Ramos said that the Brazilian explanation of the restrictive measures for importing clothing from Uruguay was unsatisfactory. He added that "while this issue is not resolved, Uruguay would not validate any other type of international negotiations in Mercosur." This means, he said, that Uruguayan representatives "will attend the negotiations but they will not endorse any decision."

A source of the Uruguayan Foreign Ministry, who asked to remain anonymous, told EL MERCURIO by phone that the Uruguayan ultimatum means that while the conflict with Brazil is not resolved, "Uruguay will use its right to veto to prevent the signing of the agreement" between Chile and Mercosur. The decisions about this type of agreement by the customs union must be made by consensus of the four Mercosur members (Argentina, Brazil, Paraguay, and Uruguay). According to UPI, Paraguay supports Uruguay and will not endorse the expansion of Mercosur if the Brazilian restrictions are maintained.

The Uruguayan Foreign Ministry source asserted that Foreign Minister Ramos talked with his Chilean counterpart Jose Miguel Insulza and that Insulza "gave him his support."

The source said that the decision of the Uruguayan Government "is not aimed against Chile" but seeks to exert pressure on Brazil "not to erase with its elbow what it signed with its hand." He added that the action aims "to protect the interests of all countries, especially the smallest ones" within Mercosur.

The source added that the measure that could affect Chile temporarily implies "promoting integration with clear rules, especially for the smallest countries for protection against the largest ones because it makes no sense to incorporate new members into Mercosur if the internal rules are not respected." [passage omitted]

Chile: Fidel Castro's 'Great Desire' To Visit Noted

PY1305230996 Santiago LA TERCERA DE LA HORA in Spanish 10 May 96 p 12

[FBIS Translated Text] Ricardo Alarcon de Quesada, president of the National Assembly of the People's Government, has said that Fidel Castro has a great desire to visit Chile. He added, however, that this matter was not discussed at the meeting with Foreign Minister Jose Miguel Insulza on 7 May.

It is believed that the Cuban leader could come to Chile in November 1996 to participate in the Sixth Ibero-American Summit of Presidents and Chiefs of State that will be held in Santiago.

"With Minister Insulza we only discussed the summit issue in general terms," Alarcon said during a meeting with the press at the journalists' association headquarters. Alarcon said he was not in a position to either deny or confirm this possibility.

Fidel Castro visited Chile in November 1971 within the framework of the first anniversary of Salvador Allende's administration. On that occasion the Cuban leader toured the country for 25 days which, according to estimates at that time, cost the Treasury 104 million escudos.

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Alarcon, considered "the third top man" of the Cuban regime, also referred to the difficult Cuban relations with the United States following the U.S. Congress approval of the "Helms-Burton" law which forbids third countries to invest in companies expropriated by Cuba.

On this matter, Alarcon said he was disappointed with the Clinton administration, with which they had placed some hope for detente.

Chile: Belgium's Air Force Commander Starts Official Visit

PY1305230796 Santiago EL MERCURIO in Spanish 10 May 96 p C8

[FBIS Translated Text] General Guido Vanhecke, commander of the Belgium Air Force, began yesterday a one-week official visit on the invitation of his Chilean counterpart, General Fernando Rojas Vender, to visit the different facilities of the Chilean Air Force (FACh).

Vanhecke, who arrived at about noon at Santiago International Airport, visited the Diego Portales Building at 1730 where he held a 20-minute meeting with Defense Minister Edmundo Perez Yoma.

After the protocol meeting, Vanhecke talked briefly with the media, pointing out the excellent relations between the two countries, especially between the two air forces.

Vanhecke is the Belgium general who delivered to General Ramon Vega, who was then the FACh commander, 25 Mirage M5 fighters, which were reconditioned in Belgium, for the FACh under the name Elkan to replace the obsolete Hawker Hunters.

Asked about the possibility that Belgium may make a new offer to sell airplanes to the FACh, which by the end of this century will have to put out of service a complete group of A-37 Dragonflies, General Vanhecke said that it could be "in the near future."

The Belgium Air Force still has in stock 65 Mirage-5 fighters that could be quickly reconditioned to the characteristics of the Elkan, including 35 F-16 A/B which could also be quickly reconditioned.

Vanhecke said the decision to sell the airplanes is up to his government and that his current visit is only aimed at improving the professional links between the two forces.

If the Belgium offer is made, it will join the others made by the United States to sell its F-16 or F/A-18; France its Mirage 2000; and Sweden its new JAS-39 Gripen.

Chile: Protection of Bi-Oceanic Waterways Rights Sought

PY1305181996 Santiago EL MERCURIO in Spanish 8 May 96 p C5

[FBIS Translated Text] Navy Commander Admiral Jorge Martinez Busch stated on 7 May that the Navy is adopting measures to ensure Chilean rights in light of the possible implementation of bi-oceanic corridors with countries of the continent.

He said: "Corridors are passages, but one should recall that we, Chileans, are owners of these corridors. Therefore, we are adopting measures to defend our rights."

He explained that the Navy has a strategic viewpoint, but at the same time it acknowledges that progress must be made for the sake of the country. He said the benefits that bi-oceanic corridors could render to all sectors — such as increasing the number of jobs "for the Navy's mechanical repair companies" —would be the "ideal solution."

Martinez Busch spoke after meeting with Admiral L.G. Mason, commander of the Canadian Maritime Command, at the Armed Forces headquarters. He said the Navy is continuously preparing and that three major programs have been outlined.

He said: "The first deals with education, which is the key to the future."

The second involves the Navy's internal mandate to improve the service for its consumers. He stated: "The third provides for the construction of vessels in Chile for patrolling and rescue in the exclusive economic zone and in the sea of presence [mar presencial — an area beyond territorial waters where Chilean ships are continuously active]. We face three very important stages."

He said that Chile must replace its 57-year old tugboats (other navies replace them after 30 years of service), each of which require a crew of 35. Chilean shipyards are already replacing them.

Colombia

Colombia: Pardo Denies U.S. Intends To Violate Border

PA1105180296 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2330 GMT 10 May 96

[Report by Lily Montes; from "The Latest News" newscast]

[FBIS Translated Text] Colombian Foreign Relations Minister Rodrigo Pardo Garcia-Pena denied reports that

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the United States intends to enter Colombia through the Panama border. The foreign minister said that President Samper Pizano spoke this morning with Panamanian President Ernesto Perez Balladares to clarify the situation regarding Uraba. Pardo said that these are actions taken against drug trafficking. RCN [Radio Cadena Nacional] spoke with Minister Pardo, who said the following:

[Begin Pardo recording] The conversation between Presidents Samper and Perez Balladares this morning has left it clear that reports that have circulated these last days are very exaggerated. What does exist are cooperation agreements that Panama has with the United States for actions against drug trafficking, similar to those Colombia also has with the United States. [end recording]

Colombia: Public Concerned Over Possible Border Incursions

PA1205194796 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 10 May 96

[From the "Caracol's 0600 to 0900" newscast]

[FBIS Translated Text] Without a doubt, there is tremendous concern among the Colombian public in the wake of the announcement made by the Panamanian Government of military maneuvers by U.S. troops in the Panama-Colombia border area.

Fifty-nine percent of those polled believe it is possible that there could be incursions by foreign troops into Colombia not only through the border with Panama, but also through the border with Venezuela. Meanwhile, 41 percent have ruled out this possibility as unfeasible.

Colombia: Congresswoman Comments on Acquittal in Case 8000

PA1405014596 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2330 GMT 13 May 96

[Report by Reynel Beleno; from "The Latest News" newscast]

[FBIS Translated Text] [Beleno] We have the first congressperson to be acquitted in Case 8000 by the Supreme Court. We are talking about Valle del Cauca Representative Yolima Espinoza. She had been linked to Case 8000 following a piece of information sent by the Prosecutor General's Office to the Supreme Court.

The process against the congresswoman was shelved at the Penal Chamber of the Supreme Court.

[Unidentified announcer] We must remember, Reynel, that when news came from the Prosecutor General's Office of her involvement in Case 8000 she was one of the first to speak to Radio Cadena Nacional. She said she was very disappointed and even cried.

She also announced she would separate herself from the National Liberal Directorate. She was a member of the National Liberal Directorate at the time.

[Beleno] That is right. Today she has been acquitted. Her case has been shelved at the Penal Chamber of the Supreme Court. Dr. Yolima Espinoza, good afternoon, welcome to Radio Cadena Nacional.

[Espinoza] Good afternoon.

[Beleno] Dr. Espinoza. You are the first congressperson to be acquitted in the course of Case 8000. [Words indistinct]

[Espinoza] Yes sir. [Words indistinct]...fortunately this happened. I hope the other persons will be able to prove their innocence as well.

[Beleno] Dr. Espinoza, did you appear before the Supreme Court? Did you give an explanation to Magistrate Ricardo Calvete, president of the Supreme Court?

[Espinoza] Yes. Initially the case was supposed to be handled by Justice Juan Manuel Torres. I freely testified a year ago, in May 1995. Three months later the investigation was turned over to Dr. Ricardo Calvete because Dr. Juan Manuel Torres was unable to handle my case as I was part of the Accusations Committee, from which I later resigned.

Calvete continued with the investigation, which led to this writ of prohibition, which means that they found no merit to open up an investigation.

[Beleno] Does the decision rule out the belief that exists in the country that the Supreme Court is conducting a process precisely to send congressmen to jail? Does the decision to acquit you prove otherwise?

[Espinoza] I believe the Supreme Court is an absolutely serious institution that hands down rulings according to the law and in accordance with legal precepts. This ruling obviously proves it. That is why I can tell you that up until now no person has been sentenced and only investigations are taking place in each case. I believe all decisions will be fair decisions.

[Beleno] What did the Prosecutor General's Office file against you at the Penal Chamber of the Supreme Court?

[Espinoza] What they filed was a piece of paper containing the names of several persons and my name was among them.

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Colombia: Justice Minister Medellin Interviewed

PA1305184496 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 13 May 96

[Telephone interview with Justice Minister Carlos Medellin by Caracol News Director Dario Arizmendi, reporters Judith Sarmiento and Javier Ayala, on the "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Arizmendi] We now greet Justice Minister Carlos Medellin. Mr. Minister, good morning.

[Medellin] Good morning, Dario. How are you?

[Arizmendi] How does the government intend to carry out the initiative aimed at toughening sentences for drug traffickers?

[Medellin] We intend to present a proposal that will prevent any undue accumulation of legal benefits, such as is currently taking place as part of the Surrender Law [Ley de Sometimiento a la Justicia], which is making an international mockery of this country's justice system by sentencing drug dealers to [words indistinct] prison terms ranging between five and six years.

[Arizmendi] Does that initiative mean that in-depth reforms will be carried out to the Surrender Law, which was approved during the administration of President Cesar Gaviria?

[Medellin] That is correct, Dario. In fact, the initiative is going to be very technical. It is not simply going to be major reforms to the Code of Penal Procedures or merely a significant amount of guidelines and articles. It is something very technical prepared by specialists that I personally believe will prevent any undue implementation of the Surrender Law or any circumventing of the law as has been taking place during the past years.

[Arizmendi] Mr. Minister, from the legal point of view, drug traffickers are currently aware that by intelligently manipulating the law they can serve terms of no more than five, six, or seven years. What sort of prison terms is the government seeking?

[Medellin] Dario, it is very difficult to answer that question at this point since there are extenuating circumstances we also have to take into consideration when dealing with these crimes. Therefore, at this point, I would rather not speculate on any definite number of years because there are other factors to consider. What I would like to say is that we intend to liken our legislation to international laws on the same issue. These laws are currently recognized and used by the United Nations through its Narcotics Commission, where, of course, prison terms for leaders of criminal drug-trafficking organizations exceed 20 and 30 years.

[Sarmiento] Mr. Minister, if my memory does not fail me, this project was announced when your predecessor Nestor Humberto Martinez was in office. Why has this initiative taken so long to be publicly unveiled?

[Medellin] Well, Judith, my predecessor, Minister Nestor Humberto, summoned a commission that was called the Surrender Law Review Commission. This commission met last year and was even endorsed by the Office of the Prosecutor General and other interested sectors. However, it did not draft a bill, but instead prepared several recommendations. Afterward, we had the Internal Disturbance Laws and several decrees with force of law that once again dealt with the criminal organizations issue, but not specifically the drug-trafficking issue. It was anticipated that by penalizing the drug-trafficking organizations by enacting a law it would be possible to toughen sentences. Nevertheless, all of these efforts, both in my and in the government's opinion, are insufficient. Let us simply say these laws are not too specific or clear with respect to the drug-trafficking issue. It is for this reason that we decided to merge the experiences of the Internal Disturbance and the Surrender Law Commission, and incorporate those experiences with information received from the United Nations and the States to develop one law that deals with the crime of drug trafficking. We cannot tackle such a serious issue in Colombia with laws that are so general that they may be subject to interpretation or better yet, misinterpretation. What we have done, Judith, and I accept your comment with respect to too many months having gone by without anything concrete having been announced, but our objective was to have something technical, tough, and conclusive.

[Ayala] It is our understanding that an initiative is also underway related assets appropriation. How is that coming along?

[Medellin] Well, both initiatives are being developed at the same time since that is the best way to deal with this issue. One is related to [words indistinct]. Just as with the initiative to toughen sentences, we have also nearly completed another initiative related to appropriating drug traffickers' assets, which is par with other similar initiatives throughout the world.

The majority of the countries involved in the drug war have very severe penalties and tough laws pertaining to assets gained from this sort of crime. Unfortunately, in Colombia, we probably have the most lenient and anemic legislation as relates to appropriating assets. For example, whenever the head of a cartel dies, by law they can pass on their assets to their offspring and the rest of their relatives. This is contrary to common sense,

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and practically opposed to judicial intellect. Last week I was talking to the French prosecutor general and he could not believe that in Colombia individuals involved in criminal organizations are only being penalized with five or six year prison terms, while their assets remain intact. In this respect, we also intend to put our legislation at par with other nations, or at least with the same level as international benchmarks.

[Arizmendi] In conclusion, Mr. Minister, it is our understanding that there is a document that defines the new prison term conditions that will be regulating Fernando Botero's status at the Cavalry School. Generally speaking, of what do these new demands and conditions for Dr. Botero consist?

[Medellin] Dario, generally speaking, the text of the ruling regulating this specific type of arrest is being analyzed by the INPEC [National Prison and Penitentiary Institute], of which I am not a member. The Justice Ministry is barred from taking over duties the sole jurisdiction of which pertains to the INPEC. Therefore, they are the ones responsible for this assessment, and as soon as I have any information on the issue I will gladly contact you to provide an explanation on the specifics. What I can tell you with respect to this issue is that we are working in two directions. One, in establishing general guidelines, which will be drafted by the INPEC, which will include how to deal with those officials whose immunity has been lifted and are currently under arrest. Unfortunately, we are forced to live in a time where there are a couple of senators under arrest, as well as one minister and an attorney general. Therefore, we have a sort of legal gap as relates to the guidelines pertaining to officials who have to be confined to special prisons. This, for one, has already been assessed by the INPEC since it falls under its jurisdiction. The other direction I mentioned is related to internal regulation at the Cavalry School which is working closely with the INPEC.

[Arizmendi] Is INPEC Director Colonel Marco Antonio Moreno, going to stay or leave?

[Medellin] No [pauses]. No decision has yet been made in this respect, Dario. The INPEC director, as well as the justice minister, can leave whenever we wish, just as every other public official. The only one that cannot leave whenever he wants to is the president.

[Sarmiento] We have just heard Justice Minister Carlos Medellin. Currently being drafted are two bill initiatives related to eliminating any undue accumulation of benefits for individuals involved in drug trafficking, and an assets appropriation bill initiative. On what basis? On international principles currently being utilized in the struggle against drug trafficking and the handling of assets originating from criminal activities. The guidelines are being used by the United Nations and countries that apply tough sentences for these crimes. With respect to former Minister Fernando Botero, the INPEC is currently working on general guidelines to be applied to officials whose immunity has been lifted, and specific guidelines to be applied to the Cavalry School.

Colombia: Cartel Lawyers Reportedly Hold 'Summit'

96GE0017A Santa Fe de Bogota SEMANA in Spanish 9 May 96

[Received via Internet]

[FBIS Translated Text] Over 40 Cali cartel attorneys held a summit meeting a few days ago, and worked on devising a strategy to counteract the blows being dealt to them by the Prosecutor General's Office.

They rented a large function room at one of the most prestigious hotels in northern Bogota. Everyone arrived on time, they convened for a period of three hours, and, upon the meeting's conclusion, they paid 500,000 pesos for the luncheon served to the 40 attendees. This was how the first summit of lawyers representing the men from the Cali and Northern Valle del Cauca cartels who are now behind bars elapsed. The meeting was headed by the jurists Guillermo Villa Alzate, representative of the late Jose Santacruz Londono, and Gustavo Salazar Pineda, defender of Helmer Pacho Herrera.

From several of the attendees, SEMANA learned the details of the topics discussed, the strategy devised to deal with the Prosecutor General's Office, and part of the agenda for the discussions at the next summit, which will take place on 8 May. The criminal lawyer, Gustavo Salazar, told SEMANA: "It was a legal, technical meeting. We indicated that we would have to wage this battle in the legal and penal areas, and with the weapons provided in the Constitution."

According to other lawyers in attendance, who were queried by SEMANA, one of the principal topics debated at the meeting was that of a possible change in government. There was consensus among the jurists that, if this occurs, their clients will have to take action on three different fronts: one, cooperating with the justice system to seek reductions in penalties and early judgments; two, cooperating with the United States Government, by submitting information on routes and financial activities, and putting an end to the trafficking of drugs to that country; and three, sponsoring debates on the national level, aimed at abolishing the faceless justice system. Among the lawyers, it was clearly understood that the goal of the rapprochement with the U.S. Government would be to avoid extradition.

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Another issue analyzed in depth by the cartel attorneys was that pertaining to the raids carried out by the Special Search Task Force. In this regard, the jurists agreed in claiming that the seizures of over 500 properties during the past two weeks are illegal, and that their sole purpose is to intimidate the families of their clients. One of the lawyers attending the summit, who requested that his name be kept confidential, told SEMANA: "We are analyzing the procedures used by the Prosecutor General's Office and the police, who have attempted to implicate relatives and friends in the crimes of acting as fronts, illicit enrichment, and others connected with the drug traffic. Our aim in this endeavor is to prevent the authorities from continuing to link children and close relatives of the clients we are defending with these processes."

For a few minutes, the meeting was devoted to an analysis of the judicial proceedings against the drug traffickers who have surrendered to justice, including Phanor Arizabaleta, Victor Patino, and Henry Loaiza. There was a lengthy debate on this point, to establish whether or not a surrender of Pacho Herrera, the last of the Cali cartel chiefs, a fugitive from justice, was feasible.

When the meeting had consumed two and a half hours, some of the attendees suggested moving ahead the debates to promote the legalization of drugs. This was aimed at leaving the proceedings against their clients without any legal grounds, in an attempt to obtain application of the principle of favorable status. Another attendee remarked: "My colleagues went so far as to propose a massive resignation of attorneys, to attract everyone's attention, so that they would be informed of the abuses committed by the Prosecutor General's Office. But that proposal received no consensus."

The cartel lawyers considered it vitally important to keep the debates in effect on the alleged violations of their clients' human rights. They also cited the possibility of conveying their concerns to international forums.

Although the subjects discussed were preeminently legal, the defenders of the Valle cartels' members did not fail to make use of the meeting to launch severe attacks against the two persons who, in their view, are causing them the most headaches: the prosecutor general, Alfonso Valdivieso, and the police director, General Rosso Jose Serrano. As for Serrano, several of the lawyers claimed him to be the strongest supporter of the U.S. Government. One of the aces up the sleeve of a small group of lawyers attending the meeting was that of discrediting the police director through his son, Franz. The strategy reportedly consisted of an attempt to link him to jewelry business deals allegedly made with Elizabeth de Sarria in San Andres.

Never before in the history of Colombian justice have so many lawyers gathered to develop common objectives. The question is how many of them they will attain, in what promises to be one of the most hard-fought legal battles of recent times.

Paraguay

Paraguay: Delegation Abandons Mercosur Negotiations

PY1005165096 Asuncion ABC COLOR in Spanish 10 May 96 p 15

[FBIS Translated Text] Antonio Felix Lopez Acosta, Foreign Ministry International Economic Affairs vice minister, has announced that Paraguay left the Mercosur [Common Market of the South] negotiating table and it will not return to it until Brazil and Uruguay reach an agreement on the issue of textile exports. The technical meeting of the four member countries in Montevideo has been suspended.

Brazil imposed restrictions on the export of 44 Uruguayan textile products. The measure provoked the reaction of the Uruguayan Government, which decided not to participate in any technical meeting in Montevideo during the week. Delegates to this meeting are analyzing the free trade zone agreement with Bolivia and revising the historic patrimony with Venezuela.

Vice Minister Lopez Acosta said that our country cannot continue negotiating in Mercosur if all country representatives are not present, as is established by the Asuncion Treaty. Lopez said Paraguayan negotiators in Montevideo, Enrique Franco (of the Foreign Ministry) and James Spalding (of the Integration Ministry) received instructions to this effect from Asuncion. Paraguay will return to Mercosur's negotiating table when Brazil and Uruguay find a solution to the problem.

Lopez Acosta said that Paraguay will not sign any agreement at the end of these meetings. Our delegation will wait until 31 December of this year, the deadline for concluding the negotiations. Lopez said at this time there are no negotiations with Chile, admitting that the problem could affect the signing of the agreement with this country. We will not sign any document until 25 June, the source said.

The meeting with Chile is scheduled for 20 May in Buenos Aires.

Uruguayans Look at Paraguay

An important number of Uruguayan companies have turned their interested eyes toward Paraguay, a country

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they consider is offering them the opportunity to gain experience before facing an excursion toward more complex markets, a DPA report datelined Montevideo says.

A report published in the 9 May issue of Montevideo's daily EL OBSERVADOR gives details about at least seven important Uruguayan firms that have settled in Paraguay since 1981, gaining a place of respect in this nation's economy.

Paraguay: Wasmosy Meets With Army Officers

PY1005151196 Asuncion NOTICIAS in Spanish 10 May 96 pp 4, 5

[FBIS Translated Text] During a working breakfast at the 1st Army Corps headquarters on the morning of 9 May, the president of the Republic, Juan Carlos Wasmosy, conveyed — in his capacity as commander in chief — a message of "tranquillity" and "calm" to Army personnel.

Journalists were not allowed at the working breakfast, but, according to the photographs supplied by the Media Undersecretariat of the Presidency, various commanders of significant Army units were present.

It was leaked that the working breakfast's goal was to appease the spirits of the Army officers, bearing in mind that the Cavalry [1st Army Corps headquarters] was the center of the military crisis.

During the working breakfast, the president asked the Army personnel to always strive for the enhancement of the Army's honor, increase the professional level of the Army's permanent cadres, and definitively secure the Army's institutional status in our country.

In keeping with the leaks, the military officers pledged their allegiance to the commander in chief and again expressed to him the officers' absolute subordination.

Some Officers Present

Present at the working breakfast were Division General Santiago Zaracho Frucadez, Army 1st Corps commander; Army Communications Commander General Eulogio Rodriguez; Division General Evaristo Gonzalez, military household chief; 1st Cavalry Division Commander Luis Salomon Julian Riego; General Jorge Caballero Silvero, 1st Army Corps chief of staff; and Army Commander General Oscar Rodrigo Diaz Delmas, among other Army officers. Presidential Private Secretary Ruben Melgarejo Lanzoni was among the civilians who participated in the working breakfast.

Paraguay: Defense Minister: 'No Coupist Military Officers'

PY1005165496 Asuncion ULTIMA HORA in Spanish 9 May 96 p 4

[FBIS Translated Text] Defense Minister Hugo Estigarribia emphasized that currently there are no coupist officers within our military cadres. He underscored that the professional prospects of our military cadres will depend on their attitude of being useful to the process of institutionalization of the Armed Forces. Estigarribia noted that the Office of the Commander in Chief would monitor the attitude of the military cadres.

The defense minister emphasized: "At this moment (after the institutional crisis has been solved and after General Lino Oviedo's retirement), there are no coupist military officers (within the Armed Forces)."

The defense minister was unable to specify if all the officers who were removed during this reorganization [of the Armed Forces cadres] were Oviedo's faithfuls [Oviedistas]; nevertheless, he confirmed that this military reshuffle was prompted by the military crisis. Estigarribia emphasized: "The president believes that, after these changes, he will have able men with modern ideas to implement the process of institutionalization and streamlining of the Armed Forces. This is the reason for the changes; now, if this represents a punishment for the people removed, it is an issue that is incumbent upon the commander in chief alone."

Attitude To Be Monitored

Estigarribia added that he hopes that the recently appointed military commanders will cooperate with the military institutionalization. He noted that the prospects of these military commanders depend on the discharging of their duties. Estigarribia noted: "In a nutshell, the attitude of the people appointed to these posts will be monitored and, if the commander in chief believes they are qualified (for the military streamlining), they will pursue their military career."

Estigarribia explained that, under these circumstances, the officers who were removed cannot feel definitively removed from the military cadres and the officers who were promoted cannot feel definitively promoted professionally. "It all depends on their attitude," he noted.

Estigarribia hopes that Congress will unblock a number of bills that must be approved for legally reforming the Armed Forces. He emphasized: "After overcoming the obstacle involving, in the opinion of Congress, the presence of General Oviedo, I believe relations will be improved and agreements will be achieved on common

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issues that are very important for both the Armed Forces and civilians."

Estigarribia emphasized that now it is possible to state, without any excuses, that the executive branch and Congress actually can institutionalize the Armed Forces, streamline them, and, jointly with the civilians, make them participate in our Republic's development.

Estigarribia admitted that, in addition to the changes promoted in Congress, the executive branch will promote its own changes, as now it can be said the Armed Forces have been totally institutionalized."

Peru

Peru: Country's Deficit Analyzed

96SM0268A Lima PERU ECONOMICO in Spanish Mar 96 pp 6-8, 15

[Unattributed article: "How Serious Is the Current Account Deficit?"]

[FBIS Translated Text]

A Bad Sign

"The current account deficit is definitely a problem, because it sends a message that makes the foreign investor doubt the ability of the Peruvian Government to maintain economic stability and keep the commitments it has made," says Alberto Pasco-Font, a Grade [Andean Development Group] researcher. "The main problem, however, is the message that is sent, because there is no reason to be so pessimistic regarding the performance of the current account."

Many investors regard a country's history of coping with pressures on the balance of payments as an important indicator of its ability to correct the foreign trade imbalances. The current account balance is of particular interest; it represents the difference between a nation's income and the total spending—both public and private—of its residents. A deficit in the current account implies that a country is consuming more goods and services than it produces. At the same time, the current account balance indicates the rate at which the economy is increasing its foreign debt. If a country spends more than its national income, it will have no option other than to borrow abroad or reduce its foreign assets. Is this the scenario that Peru is facing today?

A Question of Degree

The recent statements by Minister of Economy and Finance Jorge Camet regarding the economic program indicate that the government recognizes that the large current account deficit threatens the sustained growth of the economy. This is a fact that has been recognized by all the sectors involved. The opposing positions, however, have revolved around two central factors. The first of these factors is the *size* of the deficit. "The problem does not appear to be one of financing but rather one of recording," Pasco-Font says. In his opinion, there are accounts that should be "above the line" but are below the line. For example, the short-term capital account—including errors and omissions—conceals entries that belong in the current account and represent income that is stable over time. That is the case with illegal exports and the remittances made by Peruvians who reside abroad. "The BCR [Central Reserve Bank]," Pasco-Font says, "has estimated that approximately $270 million in the transfer account is not being recorded in the books of the current account. And that figure is conservative, because the real figure could be twice as large."

In the opinion of Bruno Seminario, researcher at the University of the Pacific, the seriousness of the current account deficit depends to a great extent on the variable against which it is measured. "If the deficit is measured against the GDP," he says, "it will not be as large, inasmuch as the GDP normally increases whenever—as at present—there is an expansion of credit expressed in foreign currency. This takes place because the sector that cannot be hedged expands, and when that occurs the GDP expressed in dollars rises." According to this argument, the growth of the GDP tells us nothing about the nature of the expansion, that is to say, it does not tell us whether the expansion is based on the export sector or on the service sector. "Investors regard the size of the deficit as important," Seminario says, "but they are always anxious to know what variable it is being compared to, especially if they want to evaluate the risk incurred by the capital they have invested."

With What?

The second factor of interest in relation to the current account deficit is the *viability* of the deficit: that is to say, the possibility of financing the deficit over the long term. A JP Morgan analysis made in early February states that during the time the current account deficit has been growing, the international reserves have also recorded strong growth, giving rise to the implication that as of today the deficit has been overfinanced. Moreover, it is believed that the current account deficit forecast by JP Morgan for 1996 and 1997 can be financed without having to seek major financing on the international markets.

Solutions

The possibility that a major devaluation can occur when there is a large current account deficit is another

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factor that can influence the risk of investing in Peru. Specifically, the ghost of Mexico could conceivably haunt Peru, as it has haunted other economies of the region. The consensus is, however, that a crisis such as occurred in Mexico is unlikely to occur in Peru. One the one hand, the government is not unmindful of the danger that this problem poses for our country, and according to the Flemings analysts, this has served to alleviate the fears of investors "that a pisco sour [a brandy made in the Pisco district of Peru] effect could be produced." On the other hand, the principal difference between Peru and Mexico relates to their foreign exchange systems. Mexico has a system that is virtually based on a fixed rate of exchange, with a very slow "crawling peg" [preceding two words in English]. Moreover, Mexico was experiencing a current account problem and a reserves problem simultaneously—a situation that does not occur in Peru, where Peruvian reserves totaled $6.688 billion as of 6 March. Moreover, Mexico also had an information problem: very few people knew that between $7 billion and $8 billion in reserves had been lost.

On the other hand, one of the recurrent proposals made in the debate over the best way to avoid a crisis in the area of foreign trade calls for stimulating the export sector. Many niches that offer great prospects for success remain to be explored. The question is whether Peru can cease to be a country whose economy is based on the export of natural resources and become a country that exports nontraditional products. A sensible alternative would perhaps be to seek an effective combination of both types of market. "Chile is a good example," Pasco-Font declares. "Although the volume of its exports today is twice that of the early 1970's, copper exports in that decade represented 70 percent of its total exports but today represent only 40 percent. This is the kind of scenario that Peru should be seeking," Pasco-Font says. He believes, however, that it would be inefficient to wait until something of that sort occurs spontaneously. "Support for the export sector could take the form of providing advice, training, and services to specified groups of exporters," he explains. "Access to information is also crucial."

There accordingly appear to be several possible ways of avoiding imbalances on the foreign trade front. However, one of the basic principles of economics—and of everyday life—is that "there is no free lunch." A cost-benefit analysis of each proposed measure should be made so as not to send erroneous signals to those who are monitoring Peru. The important thing is to provide more solutions without causing more problems.

Peru's Foreign Trade Deficit and Growth

1. Peru's Current Account Deficit [interpretation of graph]

For 1990, $700 million; 1991, $850 million; 1992, $1.7 billion; 1993, $1.7 billion; 1994, $2.3 billion; 1995, $4 billion; 1996, $4.3 billion (estimate).

2. Growth Rate of the GDP [interpretation of graph] For 1990, - 6 percent; 1991, + 3 percent; 1992, - 2.5 percent; 1993, + 7 percent; 1994, + 13 percent; 1995, 7.5 percent; 1996, 4 percent (estimate).

Source for both graphs: BCR-INEI [Central Reserve Bank-National Institute of Statistics and Information Science]

Peru: Effect of Border Conflict on Investments Assessed

96SM0268B Lima PERU ECONOMICO in Spanish Mar 96 pp 7-8

[FBIS Translated Text]

What About the Conflict With Ecuador?

There are opposing views with respect to the future of the conflict with Ecuador as it will affect Peru's investment risk rating. According to a survey that Apoyo Opinion and Market Surveys conducted in February 1996 in Metropolitan Lima, 37 percent of those interviewed believe it "is very likely" that there will be another armed conflict with Ecuador, whereas 17 percent regard this as "not very likely" and 11 percent as "not at all likely." In this connection, General (retired) Edgardo Mercado Jarrin, the former foreign minister, believes it is very difficult to arrive at a peace accord "because of an intransigent position taken by Ecuador and because the situation is becoming very complicated for the guarantor countries." A similar opinion is held by the historian Percy Cayo, who maintains that this story goes back more than 150 years. He agrees that the list of stalemated issues submitted by Ecuador was foreseeable.

According to the analysts who were interviewed, the negotiating position adopted by Peru has improved our country's image abroad but might also be harmful, because it also presents the possibility that Peru might yield on some point. Fabian Novak, director of the International Studies Institute of the Catholic University, insists that "under the terms of the Quito Accord, negotiations do not imply recognition of rights claimed by the other party, nor does presentation of the list of impasses imply that those claims have to be accepted." Moreover, the fact that the government of Ecuador does not have popular support and is in its final chapter

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could interfere with the continuity of the negotiations. Nevertheless, as Novak points out, "the principle of the continuity of the juristic personality of nations ensures that all commitments made by the present government will not be disavowed by the incoming government."

Novak maintains that the evaluation of Peru as an investment risk by foreign investors "has not been seriously affected, because the discussion has been focused on the demarcation of a specific geographical area—an idea whose transmission was undertaken through various channels." An analyst of MGS [expansion unknown] states that "the conflict is viewed by investors as a variable to be discounted: that is to say, as part of the risk of investing." Accordingly, the weight assigned to the conflict with Ecuador in determining a country's risk rating will depend on the course taken by the negotiations. "As of today the weight assigned could be nil," Novak says, "inasmuch as the peace process is proceeding favorably—an indication that there will probably be no future war. However, there could be an invasion tomorrow that would not be motivated by a country's economic or political considerations but rather by a desire to undertake a military adventure—and that could cause the investment risk rating to rise to 100." Cayo adds that it is vitally important to win the so-called war of information. "There is an international perception of the Peruvian FFAA [Armed Forces] and police, however, to the effect that they are respectful of international humanitarian [as published] rights," Novak declares. "Peru has not been accused of violations of humanitarian [as published] rights, whereas Ecuador has been the object of many accusations before the Inter-American Human Rights Committee." Lastly, it is obvious that the problem with Ecuador will not be solved over the short term, because it requires the demarcation of the portions of the border that are lacking. Cayo believes that the solution should be sought by legal means. "And without yielding on any point that was established by the Rio de Janeiro Protocol," Mercado Jarrin adds.

Peru: Consensus Says Inflation Will Be 10-11 Percent

96SM0268C Lima PERU ECONOMICO in Spanish Mar 96 p 8

[FBIS Translated Text] A number of economists consulted by PE [PERU ECONOMICO] agreed that inflation is not a variable that would cause excessive concern in the near term. They emphasized, however, that this phenomenon should never be discounted. Although the BCR's [Central Reserve Bank's] handling of monetary policy seems to point in the direction of lower inflation, rates that are higher than those observed during last year have been recorded in the past two months. "Given the current levels of inflation, relatively small changes in certain markets could generate slightly higher price levels," says Jorge Gonzalez Izquierdo, dean of the School of Economics of the University of the Pacific. These changes reflect a reduced supply of agricultural and poultry products that in the former case is caused by seasonal factors and in the latter case by a decline in production because of epidemics and increased costs. "This problem could get worse, if you add to it the potential effects of inflationary expectations that could arise if the problem is not well understood," Gonzalez Izquierdo warns. "Nevertheless," says Paula Hernandez, analyst of Apoyo Consultants, "in view of the restrictive monetary and fiscal policies, and given the greater flexibility in prices that is currently being observed, it is expected that prices will quickly return to their previous level as soon as the seasonal factors take effect." It is therefore hoped that no disturbing levels of inflation will be generated over the short and medium term. Minister of Economy and Finance Camet recently stated that inflation this year will be between 10 and 11 percent, which coincides with the estimates of the economists who were interviewed.

Peru: Recession-Inflation Relationship Noted

96SM0268D Lima PERU ECONOMICO in Spanish Mar 96 p 14

[Article by Cecilia Balcazar]

[FBIS Translated Text]

Refining the Economic Program

The national economic situation was characterized last month by uncertainty over the possibility of a major change in the existing economic program, and by concern over the rise in the inflation rate and the decline in production. However, both President Alberto Fujimori and Minister of Economy and Finance Jorge Camet have insisted on retaining the main features of the economic program, commenting only that some of its aspects need "perfecting."

One of the principal objects of concern is the evolution of the nation's productive activity. Economic activity declined 1.1 percent in December 1995 by comparison with the same month of the previous year, and in January the INEI [National Institute of Statistics and Information Science] recorded a 4.1 percent decline in the GDP as a consequence of the decline in all sectors of the economy.

One explanation of the decline in economic activity is to be found in the way the fiscal and monetary policies have been implemented. Specifically, the fiscal expansion recorded in the second half of 1994 and

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the first half of 1995—together with the application of a nonrestrictive monetary policy—facilitated increased growth in overall demand and consequently in the GDP. However, after the election campaign—which had given rise to greater public investment and revealed the need to correct the imbalances in the foreign trade sector and, above all, the growth of imports—increased monetary restrictions were put into effect followed by a downward adjustment of public spending, which in turn led to a deceleration of economic growth. In this context, the sharp drop in the GDP recorded since December 1995 can be regarded basically as reflecting the increased primary savings generated by the public sector as a result of the decrease in the government's routine spending on goods and services and the decrease in public investment.

Although production is expected to recover somewhat in February and March, the Peruvian economy is not likely to record positive growth for the first quarter of this year. Even in an optimistic scenario for this year the GDP would grow by only 4 percent, provided the decline in the initial months is reversed in the second half of the year.

A second cause for concern is the inflationary spike recorded in the first two months of this year. The official inflation rate reached 1.24 percent in January and 1.53 percent in February—figures that are sharply higher than the figures recorded for the corresponding months in 1995. According to the INEI, only four food products of the total of 449 in the family market basket were the cause of the February inflation, which resulted primarily from increases in the prices for poultry, white potatoes, eggs, and staple rice, which rose an average of 13.3 percent during the month and added 1.05 percentage points to the February inflation. Prices have already recorded an increase of 2.8 percent for the first two months of this year and more than 11 percent for the past 12 months. If—as Economy and Finance Minister Camet himself indicated—inflation for 1996 is expected to be 10 percent, prices will have to increase at an average monthly rate of 0.68 percent in order to achieve that level of inflation.

In the letter that IMF Managing Director Michel Camdessus reportedly sent to Camet, these two topics—growth and inflation—were mentioned in conjunction with others such as the rise in imports, the small primary surplus, and the current account deficit in the balance of payments. The contents of the letter reflect the fact that negotiations between the Peruvian Government and the IMF for the purpose of reaching agreement on a program of expanded credit facilities for the 1996-98 period are at a difficult stage. The principal topic for discussion, among other items, is the fiscal adjustment measures for controlling the current account deficit that was recorded in 1995 (and was equal to 7 percent of the GDP).

The negotiations are continuing, however. "There have been major disagreements between Peru's negotiating team and the IMF mission on the issue of the management of tax policy," a government official acknowledged. The MEF [Ministry of Economy and Finance] proposal aims at greater control over public spending and an improvement in the tax administration but rules out any changes in the tax structure. The government expects to collect more revenue this year, however, and especially from the income tax. In any event, the official told our interviewer, "the generation of increased primary savings must continue, because that is the mechanism for ensuring the viability of the foreign trade accounts."

Peru: Antipoverty Policy Examined

96SM0268E Lima PERU ECONOMICO in Spanish Mar 96 pp 15-17

[Unattributed article: "Is Fiscal Discipline Compatible With the Social Pressures?"]

[FBIS Translated Text]

A Promise in Limbo

One of the main topics addressed by President Alberto Fujimori during the inaugural speech of his second term in office was the social question. "The government's social program will continue to be centered on the provision of basic services and productive investment," he said on that occasion.

Moreover, when the cabinet headed by Dante Cordova was introduced to Congress last August, it was stated that "the basic feature of the government's action and its development policy for the next five years will be a vigorous national crusade against poverty." It was also announced that the funds allocated to the campaign against poverty would gradually be increased, and that they would be applied more efficiently by concentrating efforts on the poorest areas and groups. The presentation also detailed the programs to be carried out in the social sectors of Health, Education, and Justice and oriented toward the most vulnerable groups.

According to the report that presents the basic outlines of the government's social policies, the "overall social deficit" is approaching $15 billion per year and the "urgent social deficit" $2.8 billion per year.

According to the official figures—which are based on the assumption that 80 percent of Peruvian households

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experience some degree of difficulty in obtaining access to the basket of essential goods and services—satisfaction of these needs would require $2.8 billion per year. This means that the government would have to allocate for this purpose approximately 30 percent of its total revenues or 38 percent of its current revenues (from taxes or other sources). Social spending accounts for 40 percent ($4 billion) of this year's budget, and a percentage of that 40 percent goes to satisfy basic needs. The severe restrictions imposed in order to maintain fiscal discipline, however, have entailed cuts in all government programs.

How Goes It?

In 1994, 48 percent of all households lived in extreme poverty—six percentage points below the figure recorded for 1992—according to the calculations of the National Survey of Living Standards. "Although these figures indicate a reduction," a government expert on poverty says, "they represent only a small advance toward satisfaction of the needs of the population."

Together with these figures, the surveys conducted by Apoyo Opinion and Market Surveys reflect reduced expectations concerning the performance of the economy. For the second consecutive month, in March a plurality of the population believed that the economy was not doing as well as it was 12 months before. At the same time, the gap separating the optimists from the pessimists is narrowing to the point that at the present time only 33 percent believe the situation will be better one year from now while 24 percent believe it will be worse. In the May 1995 survey, however, 59 percent believed their situation would be better within a year while only 8 percent anticipated a deterioration in their household economic situation.

The government's proposals on the subject of poverty are derived from the basic outlines of the government's social policy that were approved in November 1993. In this year's budget, an increase—both in the amounts and in the percentages—has been observed in the items destined for the social sectors. The Health sector accordingly went from 18 percent of the 1995 budget to 20.9 percent in 1996. Education went from 9.7 percent in 1995 to 10.1 percent in 1996, and Justice from 0.1 percent to 0.9 percent. Also in accordance with the basic outlines of social policy, the transition institutions such as Foncodes [National Compensation and Social Development Fund] and PRONAA [National Food Assistance Program] are beginning to scale back their participation and gradually integrate their labor into the permanent sectors. The allocation for Foncodes accordingly went from 2.3 percent of the 1995 budget to 1.4 percent in 1996, and the PRONAA allocation from 1 percent to 0.9 percent. Even the Infes [National Education and Health Infrastructure] budget was reduced from 1.4 percent in 1995 to 1 percent in 1996.

Obvious Problems

The aforementioned sectors, however, are where the adjustments designed to reduce government spending have usually been made. In the second half of last year, the allocations to these sectors were the most seriously impacted by cuts made by the MEF [Ministry of Economy and Finance]. This year, because of the commitments the government is assuming, some cuts are already being made in the transfers the MEF makes to every sector. For example, the vaccination program of the Ministry of Health has had its budget cut by 47 percent. In previous years these cuts have caused no major repercussions, but this time they could harm the government's image.

This is because the work begun two years ago in these sectors is already yielding results and has raised public expectations. Moreover, the governmental apparatus in these sectors has been altered in order to accommodate this recent demand. The objectives outlined by Prime Minister Cordova in his address to Congress were an extension of what had been taking place on a small scale. During the past two years the Education sector has succeeded in training more than 60,000 teachers and has supplied educational material to the schools; in the Justice sector, judges and officials have been trained; and in the Health sector, technicians have been placed in more than 3,000 health facilities that are now in need of equipment.

Consequently, just when there is a real possibility of attacking the shortage of the people's basic necessities, a reduction in these transfers to the various sectors—transfers for which provision has been made in the budget—will slow the process of meeting the people's needs and will also become a potential factor in changing their attitude toward the government.

[Box, p 15]

The Pending Reform: What Remains To Be Done

1. Macroeconomic Policy

a. Compensate the current account deficit with domestic public and private spending.

b. Achieve a 9 percent rate of inflation for 1996 by maintaining a strict fiscal and monetary policy.

2. Privatization

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a. Complete the sale of Pescoperu's [State Fishmeal and Fish Oil Production Agency] operating units by the end of 1996.

b. Begin the transfer of the units of Petroperu [State Petroleum Agency], Centromin [Central Peru Mining Enterprise], and Electroperu [Peruvian State Electric Power Enterprise] in 1996.

c. Privatize Enapu [National Ports Enterprise], Enafer [National Railway Enterprise], Sedapal [National Potable Water and Sewage Service], and the Special Projects division of Inade [National Development Institute] before 1997.

3. Modernization of the State

— Improve the efficiency and productivity of the provision of services offered by the public administration, thereby reducing the excessive cost of providing these services.

4. Decentralization

— Strengthen municipalities and/or community nuclei so that responsibility for the social services (education, health, justice, and security) can be gradually transferred to them.

5. Education

— Improve the quality of teaching, and expand public access to education.

a. Introduce greater competition into the system.

b. Gradually transfer administration of the schools to the communities.

6. Health

— Improve the quality of the health services:

a. By introducing competition into the field of health insurance for workers.

b. By redirecting funds that the state currently allocates to health services, using them to pay for a basic insurance policy for currently uninsured low-income workers.

c. By improving the quality of the health services, and by reducing excessive costs and the contributions to the IPSS [Peruvian Institute of Social Security].

d. By transferring the administration of medical offices to the communities.

7. Labor

a. Make the labor laws even more flexible, simpler, and more uniform.

b. Make the existing labor benefits more uniform.

c. Promote voluntary profit-sharing programs based on improved productivity.

8. Agriculture

— Ensure a stable legal framework for the sector.

a. Motivate the creation of an agricultural real estate market by providing regulations for implementing the Land Act.

b. Sponsor a program for granting and recording titles to rural property.

c. Promote the creation of a market for real titles to natural resources.

9. Trade Reform

a. Eliminate supplementary tariff restrictions.

b. Increase the number of products that are subject to the lowest tariff. 10. Financial System

a. Develop a system of standards that will enable small and medium-sized entrepreneurs to have access to the formal financial credit system.

Peru: Country's Foreign Debt Discussed

96SM0268F Lima PERU ECONOMICO in Spanish Mar 96 pp 17-18

[Unattributed article: "Can Peru Pay Its Foreign Debt?"]

[FBIS Translated Text]

It Depends on the Central Bank

"It will depend on the ability of the state to generate primary savings in the medium term: specifically, it will not depend on the proceeds from privatizations, because this is more in the nature of a Treasury problem than a foreign exchange problem," an MEF [Ministry of Economy and Finance] official commented regarding Peru's possibilities for repaying its foreign debt. For his part, former BCR [Central Reserve Bank] Governor Julio Velarde commented that another factor to be considered is the possibility of paying matured debt obligations with new debt that carries better terms and interest rates—something that will be possible only if the government demonstrates the ability and the intent to pay. "One's ability to pay is easy to measure," he acknowledged, "but one's intent is associated with one's credibility, and for Peru that continues to be a complicated problem."

According to the experts we interviewed, Peru's ability to pay is a less important factor than its "record" [previous word in English], which basically makes the question of our country's credibility so important: in

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other words, is our country going to meet its financial obligations? "On what basis will we negotiate, if they do not believe us?" the MEF official wondered. "Initial efforts to pay these obligations on schedule, attainment of the objectives agreed upon by the parties, and openness in the management of the nation's accounts will be the pillars on which to build a solid and enduring ability to pay," he added.

According to official figures, at the end of 1995 Peru's long-, medium-, and short-term foreign debt totaled approximately $2.5 billion, of which the Paris Club accounted for approximately 39 percent; international banks, 31 percent; and international organizations and other creditors, 28 percent.

Regarding service on the debt, $925 million was paid in 1994 for amortization of principal plus interest, and it is estimated that debt service in 1995 came to $1 billion. "It is incorrect," the MEF official declared, "to say that Peru is wrong to be paying out sums larger than those it is receiving, because in this case Peru is doing more than merely reducing its debt: it is buying back—on the installment plan—the credibility that it lost over a period of many years and that will give us access to the assistance we need to keep us from asphyxiating ourselves. In other words, we are amortizing access to renegotiation of the debt."

At the present time, service on the nation's public debt comes to approximately $1 billion annually, not including the upcoming payments of approximately $300 million that correspond to the Brady Plan. "We hope that debt service this year will not exceed $1.3 billion," the government official said, "always on condition that the debt owed to the Paris Club can be successfully refinanced for the third time, because an additional $600 million per year would otherwise have to be paid. That could indeed cause serious problems in the medium term."

With What?

"Peru's ability to pay will depend directly on a favorable evolution of tax revenues, which should be consistently larger than government spending (operating expenses plus capital expenditures)," Eduardo Campos, principal economist of Apoyo Consultants, explained. "That is why the debt payment problem is mainly a Treasury problem, or in other words, a problem of tax collection," he added. In 1994, primary savings equaled approximately 0.3 percent of the GDP, whereas the corresponding figure for 1995 was zero. The government's proposal to gradually increase primary savings, increase tax collections, and manage spending more carefully is to be understood in this context.

Another source of short-term income for servicing the foreign debt is the proceeds from privatizations. "Although there is still no official information concerning the use of the privatization proceeds for payment of the debt," Velarde explained, "the president's statements lead us to believe that this would be feasible. Moreover, in recent years a belief has existed in the MEF that only one bank should handle these proceeds, and this makes approval of this measure virtually certain." At the present time approximately $2.4 billion in proceeds from privatizations is deposited in the BCR, and in addition some $5 billion in proceeds reportedly remain to be collected from the same sources. Approximately 50 percent of this total of almost $8 billion in revenues is reportedly committed to pay domestic debt, principally pensions. "For this reason," a government official added, "it is incorrect to enter the privatization proceeds in the books of account as being totally committed to debt payment."

To Whom, and How?

Peru's three principal creditors are the Paris Club, the international banks, and the international organizations. In the first case, the MEF's technical experts are preparing the terms for the coming negotiations. "Peru will go to the Paris Club with the intention to renegotiate—for the fourth time—a $9 billion debt, and that will be difficult," an MEF official explained.

A preliminary agreement already exists with the commercial banks to restructure a Brady program. The initial step was to reach an agreement with the parties with respect to the terms. Pursuant to this agreement, the government began to make quarterly interest payments of $22 million, which are deposited in the Swiss Bank [preceding two words in English] as evidence of intent to fulfill the draft agreement. "It is very difficult," Velarde adds, "to calculate how much the Brady program will cost Peru, because without confirmation of the percentage of the debt to be repurchased by Peru, the subsequent service on the new debt cannot be calculated."

In the case of the IMF, an Extended Terms Agreement covering the next three years is currently being negotiated. "In this case," Velarde says, "the most feasible solution is to seek a renewal for another three years, obviously with goals that are much stricter and more controlled. This is very important, inasmuch as winning the IMF's endorsement is the preliminary step for the negotiations with the Paris Club, because without it the situation would be complicated." An IMF mission is currently evaluating the macroeconomic results of the previous agreement, and it is hoped that no later than

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the end of the second quarter the IMF board of directors will be asked to approve a new agreement.

In this context, the principal goal for the next three years would be to increase tax collections and make spending much more selective and efficient. This would make it possible to increase primary savings in the next few years. The degree of Peru's credibility with the international organizations in the next century will depend on how efficiently and responsibly its financial resources are managed during the next three years."

Peru: Fujimori's Political, Popular Standing Examined

96SM0268G Lima PERU ECONOMICO in Spanish Mar 96 pp 18-19

[Unattributed article: "How Firm Is President Fujimori's Political Standing?"]

[FBIS Translated Text]

Quite Firm, But...

One of the main questions being asked in foreign countries by people who are interested in Peru is: How solid is the political standing of the president of the Republic? Moreover, it is a question that is traditionally included in the investment-risk analysis of a country. It is obvious, for example, that the current political standing of Colombian President Ernesto Samper is extremely fragile. Alberto Fujimori, on the other hand, is perceived as being in a position of considerable strength, and especially since his reelection with 64.4 percent of the vote, which gave him a clear popular mandate, a comfortable majority in Congress, and an indication of approval of the policies that he initiated in 1990. Notwithstanding this perception, there is uncertainty concerning the extent to which the process of reform has been institutionalized and the risk posed by the fact that this process is dependent to a great extent on a single person.

1. Approval in Opinion Polls

"There is no way you can understand Fujimori's success without factoring in Alan Garcia's misfortune and the controls that he applied to inflation and terrorism," former Senator Francisco Guerra Garcia says. Nevertheless, he adds, "that was a valid argument for the first five years, but not for the next five years."

President Fujimori's approval rating has been unusually high. According to the Apoyo surveys, his average monthly rating was 68 percent in 1992 and in the three ensuing years was 63, 64, and 73 percent, respectively. Even though there were months in which noticeable declines in his popularity coincided with events that elicited majority disapproval—such as the murders at La Cantuta and the amnesty that was extended to the guilty persons—in the following months the president demonstrated a great ability to recover the ground lost.

The most recent of these declines in popularity occurred in February 1996—during which his approval rating dropped 9 percentage points—and continued into March, dropping two additional points to 64 percent. This downward trend has coincided with a complex of events that are perceived as negative by public opinion, such as the privatization of Petroperu [State Petroleum Agency].

What appears to be most important at the present moment, however, is the loss of trust that the government is experiencing, as reflected in Apoyo's Confidence Index (ICA) (see page 13) [graph not reproduced], which declined from 3.2 in January of this year to 2 in February and 0.7 in March. This coincides with a 10 percentage point decline in March in the approval rating for the government's economic policy, at a time when criticism of the program has been coming from several sides and the government is not demonstrating an adequate ability to respond.

Although the president's popularity continues high, it is likely that so long as the present lack of confidence persists, his approval rating will be unable ever again to surpass the 70 percent level as it did in 1995. In any event, the principal factor that will determine the fate of future relations between President Fujimori and public opinion will be his ability to satisfy the public's expectations while maintaining fiscal discipline, especially after the confusion in this area that occurred during the months of the election campaign.

2. Weakness of the Opposition

One factor that will undoubtedly help to strengthen President Fujimori's political standing is the weakness that the political opposition has been demonstrating and that until now has prevented the opposition from taking advantage of the room for political maneuver that the goverment has provided. The Apoyo surveys recorded the opposition's average monthly approval rating in 1995 at 30 percent, and although in January of 1996 it rose to 36 percent, by March it had already dropped to 31 percent. "The opposition is disunited," Guerra Garcia says, "and is unified only on constitutional and legal questions and on strengthening the country's institutional fabric but not on issues such as economic policy, and therein lies its weakness." In fact, the opposition has not yet succeeded in establishing a solid bond between it and the public.

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3. Relations With the Armed Forces

A traditional source of instability in Latin America—including Peru—has been the difficult relations that exist between civilian governments and the FFAA [Armed Forces]. In the case of President Fujimori's administration, on the other hand, relations with the Armed Forces are such that some go so far as to allege that the FFAA "resemble the political party that the government lacks." These relations became more solid following the government-sponsored coup of April 1992. According to military analyst Enrique Obando, relations between the government and the FFAA are based on "cooptation and symbiosis: the Executive Branch has placed its friends in key positions." Obando does not hesitate, however, to warn of certain risks entailed by this relationship. He explains that the FFAA have no plans for an alternative to President Fujimori and for that reason, he says, "there is no reason to anticipate a coup d'etat."

4. Business Community

President Fujimori has also developed a solid relationship with the Peruvian business community. Despite the growing differences within several trade associations over various aspects of his economic policy, it is clear that the general perception of Fujimori in the business sector is quite positive. It is also clear that for his part, President Fujimori has not succeeded in establishing fluid communications with this sector, within which he feels he is identified more closely with small and medium-scale businessmen.

5. And Afterward?

A cause for growing concern in some circles is the importance of the role that President Fujimori plays in consolidating the progress made in recent years, because such a high degree of dependency on a single person—together with the absence of a process for strengthening the nation's institutions—is viewed as a negative factor.

Peru: Theories of Investor Confidence Discussed

96SM0268H Lima PERU ECONOMICO in Spanish Mar 96 p 20

[Article by FOZ: "Confidence in Peru"]

[FBIS Translated Text] Measuring the risk that Peru represents for investors or lenders involves not only evaluating the development of its economy, the potential of its productive activities, the degree to which its laws favor business activity, and the degree of state bureaucratic intervention but also—as Douglass North postulates—evaluating the development of its fundamental institutions and—as Francis Fukuyama insists in a recent book—evaluating the level of confidence, which he describes as a social virtue essential for prosperity.

Economic activity is a form of human sociability. Subsistence economies and communal economies are able to respond to their own traditions and cultural models, but the modern market economy requires production and trade associations that extend beyond family or social circles, and confidence is an essential factor in their formation. Societies in which confidence is widely distributed benefit from a type of "social capital" that in the modern world contributes to success as much as—or more than—other factors of production that have been more extensively studied in connection with the theory of economic development. Culture—and most certainly religion—are accordingly factors in the well-being of a people.

Some years ago Kenneth Arrow argued that "virtually every commercial transaction has been accompanied by an element of confidence" and that "much of the economic backwardness in the world can be explained as resulting from a lack of mutual confidence." More recently, Robert Putnam has described how in Italy regional differences that are very pronounced correspond to the greater or lesser degree of social confidence that these peoples have generated among themselves.

Confidence is based on a complex of various forms of ethical conduct and reciprocal moral obligations that have been internalized by the members of a community. It is the expectation that is generated by consistently decent behavior based on standards that are recognized as held in common, namely: no deceit, basic good intentions, reciprocity, and respect for one's abilities. These virtues do not derive originally from political institutions—for example, free elections—nor from economic institutions—for example, an autonomous central bank—but rather from voluntary associations of civilian society, starting with households but also extending beyond them.

In very few societies is there a total lack of confidence. In Fukuyama's opinion, the critical factor is not so much the *quantum* of confidence that exists as the radius of extension of that confidence. Societies where confidence does not extend beyond the family and the family's circle of social friendships are incapable of developing among themselves the large modern enterprises and superimposed network of small businesses both of which are requisites for a successful modern economy.

The antidote for what Fukuyama calls "familyism"—that is to say, difficulty in extending the radius of confidence beyond family and class circles—is not greater confidence in the government. History is filled with examples to demonstrate this point. The critical factor for

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a nation's economy does not derive from the ability of its government to employ coercion but from the willingness of its individual citizens to associate voluntarily with foreign nationals and strive for common goals. Viewed from this perspective, healthy democratic institutions and accelerated economic development would appear to have a common foundation: a vigorous civilian society.

Confidence contributes not only to the formation of free associations but also to economic efficiency: the higher the level of confidence that exists in a society, the fewer the regulations and compulsory mechanisms that will be needed for that society's self-fulfillment and the lower the costs of doing business in its economy. Confidence is also associated with flexibility, which is another key ingredient for business success in today's world, in which global competition necessarily involves unforeseen changes in structures and objectives. Business enterprises in societies where the level of confidence is low are customarily overregulated and have very rigid standards for their operation. This proves to be especially restrictive in a context such as that of today, in which the changes that have taken place in production methods as a result of computerization have eliminated many of the benefits derived from economies of scale. The ideal size for many businesses today is smaller than formerly. In order to take advantage of this opportunity, however, even more social confidence is required than before.

In his analysis of Asia, Fukuyama views China and South Korea as societies that are more "familyistic" than Japan. This is supposedly because large corporations have been created in Japan—together with efficient networks of small enterprises—without the intervention of a powerful central state. In Korea, however, it was an authoritarian government that broke the bounds of "familyism."

Fukuyama's thesis suggests the need for caution in the future agenda both of the free marketeers and the more interventionist social democrats. Neither the withdrawal of the state from areas where it does not belong, nor the expansion of social entitlements, will serve any purpose if they are accompanied by a decline in confidence. The basic objective, however, should not be to recover confidence in the government but to strengthen the bonds of unity among the citizens. This will require renewed attention to what is essential in this process of development: namely, the associations—beginning with the households—in which the common habits of social behavior are developed. Is it too much to ask that in the debate between the supporters of the market economy and the advocates of a minimum of state interventionism, someone will be more concerned with identifying those efforts that can be made to strengthen civilian society?

Uruguay

Uruguay: Brazilian Barriers on Textile Imports Protested

PY1005174596 Madrid EFE in Spanish 1513 GMT 9 May 96

[FBIS Translated Text] Montevideo, 9 May (EFE) — Uruguay today confirmed its decision to boycott the signing of any new Common Market of the South [Mercosur] international agreement if Brazil does not eliminate the barriers imposed on the import of textiles. The Uruguayan Government considered the Brazilian answer to its protest unsatisfactory.

Uruguay is, therefore, conditioning the signing of the association agreement between Mercosur and Chile scheduled for 25 June and negotiations with a similar purpose with Bolivia, Venezuela, Peru, and Colombia.

The Chamber of Clothing Industries of the four Mercosur member countries — including the Brazilian branch — demanded the annulment of the requirement for 30-day financing imposed on Brazilian textile and clothing importers as a way to support the national industry.

Uruguayan Ambassador to Brasilia Mario Fernandez received the Brazilian official answer to the Uruguayan diplomatic protest on 8 May. Uruguay protests the implementation in Brazil of nontariff barriers that seriously affect Uruguay's textile industry.

The Brazilian Foreign Ministry answer does not contemplate the immediate lifting of those measures, as Uruguay required, but justifies them, arguing macroeconomic and industrial reasons.

"It is not the expected answer," Agustin Espinosa, immigration and Mercosur director at the Uruguayan Foreign Ministry told EL PAIS."

In Uruguay's opinion, Brazil cannot justify measures that go against bilateral norms and Mercosur itself, because all countries have the same problems and no temporary problem can justify the violation of the rules of the game.

Therefore, Uruguay maintains its position not to sign any new agreements in Mercosur's international agenda if Brazil does not lift those measures, which according to industrial sources, affect some 60 percent of Uruguayan textile exports.

A year ago Brazil provoked another Mercosur internal crisis when it established, just as now, the requirement

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of 30-day financing for the import of textiles and clothing, but it was forced to revise its decision pressured by the other three partners, particularly Uruguay.

The measure restricts the access of foreign products to the Brazilian market because importers resort to national products in view of the short period they have to pay back for importing them.

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